Ordinance amending the Administrative Code to allow tenants who have received a pass-through of general obligation bond repayment costs from their landlords to seek relief from the Rent Board based on financial hardship; to limit the number of years that a landlord can cover in a single pass-through; and to extend the time period for tenants to pay such pass-throughs.

**NOTE:** Unchanged Code text and uncodified text are in plain Arial font. Additions to Codes are in single-underline italics Times New Roman font. Deletions to Codes are in strikethrough italics Times New Roman font. Board amendment additions are in double-underlined Arial font. Board amendment deletions are in strikethrough Arial 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.

The Rent Ordinance allows tenants who are experiencing financial hardship to seek waivers from landlord passthroughs related to water revenue bonds, but does not provide that option for passthroughs related to general obligation bonds. Given the severe shortage of affordable rental housing in the City, it is necessary to let tenants seek waivers from general obligation bond passthroughs as well. In addition, all tenants can potentially experience hardship if their rent suddenly increases because their landlords have imposed many years' worth of general obligation bond passthroughs all at once. This ordinance addresses that form of hardship by incentivizing landlords, if they are going to impose passthroughs on
tenants, to do so on a more regular basis rather than suddenly, and by giving tenants more
time to pay the passthroughs, so that the costs are more manageable than they are now.

Section 2. Chapter 37 of the Administrative Code is hereby amended by revising
Section 37.3 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
subsection 37.3(d):

* * * *

(6) Property Tax. A landlord may impose increases based upon a 100%
 passthrough of the change in the landlord’s property tax resulting from the repayment of
general obligation bonds of the City and County of San Francisco approved by the voters
between November 1, 1996, and November 30, 1998 as provided in Section 37.2(q) above.

A landlord may impose increases based upon a 50% passthrough of the change in the
landlord’s property tax resulting from the repayment of San Francisco Unified School District
or San Francisco Community College District general obligation bonds approved by the voters
after November 1, 2006, as provided in Section 37.2(q) above.

The amount of such increases shall be determined for each tax year as follows:

(A) For general obligation bonds of the City and County of San Francisco approved by
the voters between November 1, 1996 and November 30, 1998:

(i) (A) The Controller and the Board of Supervisors will determine the
percentage of the property tax rate, if any, in each tax year attributable to the general
obligation bonds approved by the voters between November 1, 1996, and November 30, 1998, and
repayable within such tax year.
This percentage shall be multiplied by the total amount of the net taxable value as of November 1 of for the applicable tax year. The result is the dollar amount of property taxes for that tax year for a particular property attributable to the repayment of the general obligation bonds approved by the voters between November 1, 1996, and November 30, 1998.

The dollar amount calculated under subsection (a)(6)(B)(ii) shall be divided by the total number of all units in each property, including commercial units. That figure shall also be discounted to reflect the percentage passthrough that the voters authorized, as applicable: specifically, in the case of the 50% passthroughs authorized for general obligation bonds of the City and County of San Francisco approved by the voters after November 14, 2002 and general obligation bonds of the San Francisco Unified School District or San Francisco Community College District approved by the voters after November 1, 2006, the figure shall be divided by two. The figure shall then be divided by the total number of months that the passthrough may apply pursuant to subsection 37.3(a)(6)(D)(i)12-months, to determine the monthly per unit costs for that tax year of the repayment of the general obligation bonds approved by the voters between November 1, 1996, and November 30, 1998.

For general obligation bonds of the City and County of San Francisco approved by the voters after November 14, 2002 where any rent increase has been disclosed and approved by the voters:

(i) The Controller and the Board of Supervisors will determine the percentage of the property tax rate, if any, in each tax year attributable to general obligation bonds approved by the voters after November 14, 2002 and repayable within such tax year.

(ii) This percentage shall be multiplied by the total amount of the net taxable value for the applicable tax year. The result is the dollar amount of property taxes for that tax year for
a particular property attributable to the repayment of general obligation bonds approved by the voters after November 14, 2002:

(iii) The dollar amount calculated under Subsection (ii) shall be divided by two, and then by the total number of all units in each property, including commercial units. That figure shall be divided by 12 months, to determine the monthly per unit costs for that tax year of the repayment of general obligation bonds approved by the voters after November 14, 2002.

(C) For general obligation bonds of the San Francisco Unified School District or San Francisco Community College District approved by the voters after November 1, 2006:

(i) The Controller and the Board of Supervisors will determine the percentage of the property tax rate, if any, in each tax year attributable to San Francisco Unified School District or San Francisco Community College District general obligation bonds approved by the voters after November 1, 2006 and repayable within such tax year.

(ii) This percentage shall be multiplied by the total amount of the net taxable value for the applicable tax year. The result is the dollar amount of property taxes for that tax year for a particular property attributable to the repayment of San Francisco Unified School District or San Francisco Community College District general obligation bonds approved by the voters after November 1, 2006.

(iii) The dollar amount calculated under Subsection (ii) shall be divided by two, and then by the total number of all units in each property, including commercial units. That figure shall be divided by 12 months, to determine the monthly per unit costs for that tax year of the repayment of San Francisco Unified School District or San Francisco Community College District general obligation bonds approved by the voters after November 1, 2006.

(D) Landlords may pass through to each unit in a particular property the dollar amount calculated under these Subsections 37.3(a)(6)(A), (B), and (C), as provided in this subsection (a)(6)(D).
(i) If a passthrough is imposed on or before December 31, 2020, it shall apply only for the 12-month period after it is imposed. Starting January 1, 2021, all passthroughs shall apply for the same number of months covered by the property tax bills used in the passthrough calculation, and the calculation may not be based on tax bills issued more than three years prior to the year in which the passthrough was imposed.

(ii) The landlord shall give affected tenants notice of the passthrough as provided by applicable notice of rent increase provisions of this Chapter 37, including but not limited to Section 37.3(b)(3). These passthroughs may be imposed at any time in the calendar year, provided that the landlord serves notice of such passthrough to be effective only on the anniversary date of each tenant's occupancy of the property. These passthroughs shall not become a part of a tenant's base rent. The amount of each annual passthrough imposed pursuant to this subsection (a)(6) may vary from year-to-year, depending on the amount calculated under subsections (a)(6)(A), (B), and (C). Each annual passthrough shall apply only for the 12-month period after it is imposed. A landlord may impose the passthroughs described in this subsection (a)(6) for a particular tax year only with respect to those tenants who were residents of a particular property on November 1st of the applicable tax year. A landlord shall not impose a passthrough pursuant to this subsection (a)(6) if the landlord has filed for or received Board approval for a rent increase under Section 37.8(e)(4) for increased operating and maintenance expenses in which the same increase in property taxes due to the repayment of general obligation bonds was included in the comparison year cost totals.

(E) A tenant who has received a passthrough under this subsection (a)(6) may file a financial hardship application with the Board, and the Board may grant the tenant complete or partial relief from that part of the passthrough that is attributable to general obligation bonds approved by the voters on or after November 5, 2019. The standards and procedures for the financial hardship
(F) The Board shall have available a form which explains how to calculate the passthrough. Landlords must provide to tenants, on or before the date that notice is served on the tenant of a passthrough permitted under this subsection (a)(6), a copy of the completed form described in Subsection (E). This completed form shall be provided in addition to the Notice of Rent Increase required under Section 37.3(b)(5). Where a tenant alleges that a landlord has imposed a charge which exceeds the limitations set forth in this subsection (a)(6), the tenant may petition for a hearing under the procedures provided by Section 37.8. In such a hearing, the landlord shall have the burden of proving the accuracy of the calculation that is the basis for the increase. Any tenant petitions challenging such a passthrough must be filed within one year of the effective date of the passthrough.

(G) The Board may amend its rules and regulations as necessary to implement this subsection (a)(6).

Section 3. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor’s veto of the ordinance.

Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends 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, deletions, Board amendment
additions, and Board amendment deletions in accordance with the “Note” that appears under the official title of the ordinance.

Section 5. Severability. 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 Board of Supervisors hereby declares that it would have passed 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.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By:
MANU PRADHAN
Deputy City Attorney

n:\legana\as2019\1900637\01390721.docx
Ordinance amending the Administrative Code to allow tenants who have received a pass-through of general obligation bond repayment costs from their landlords to seek relief from the Rent Board based on financial hardship; to limit the number of years that a landlord can cover in a single pass-through; and to extend the time period for tenants to pay such pass-throughs.

October 21, 2019 Rules Committee - RECOMMENDED AS COMMITTEE REPORT

October 22, 2019 Board of Supervisors - PASSED ON FIRST READING
Ayes: 11 - Brown, Fewer, Haney, Mandelman, Mar, Peskin, Ronen, Safai, Stefani, Walton and Yee

October 29, 2019 Board of Supervisors - FINALLY PASSED
Ayes: 10 - Brown, Fewer, Haney, Mandelman, Mar, Peskin, Ronen, Safai, Stefani and Yee
Excused: 1 - Walton

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 10/29/2019 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved

11/6/19