[Urging the Rent Board to Adopt Fair Guidelines for the Use of "Reasonable Reliance" in the Evaluation of Operating and Maintenance Pass-Throughs]

Resolution urging the Rent Stabilization and Arbitration Board to adopt fair and objective guidelines, upholding the spirit of the Rent Ordinance outlined in Chapter 37 of the Administrative Code, for the use of "reasonable reliance" in the evaluation of operating and maintenance pass-through petitions, including specific criteria demonstrating their reliance on additional rent increases to pay for increased expenses.

WHEREAS, In April, 1979, pending development and adoption of measures designed to alleviate the City's housing crisis, the Board of Supervisors adopted Ordinance No. 181-79 prohibiting most rent increases on residential rental properties for 60 days, in an attempt to create space for the formation of the Residential Rent Stabilization and Arbitration Board, tasked with safeguarding tenants from excessive and exorbitant rent increases, as well as ensuring that landlords receive fair and adequate rents consistent with the Federal Anti-Inflation Guidelines; and

WHEREAS, On June 5, 2018, the Board of Supervisors voted unanimously to adopt Ordinance No. 132-18, (on file with the Clerk of the Board of Supervisors in File No 180318), which was intended to prevent landlords from raising rents on existing tenants by passing through the debt service and property tax increases that have resulted from a change in ownership of rent-controlled buildings; and

WHEREAS, Chapter 37 of the Administrative Code and Section 6.10(e)(1)(b) of the Rent Stabilization and Arbitration Board's Rules & Regulations both reference the concept of "reasonable reliance," wherein a landlord or corporation who purchased property prior to the introduction of the legislation on April 3, 2018, and filed a pass-through petition after

Supervisors Brown; Peskin, Fewer, Yee, Ronen, Haney
BOARD OF SUPERVISORS
December 11, 2017, may pass through debt service and property tax increases if the landlord
or corporation can demonstrate they “had reasonably relied on (the) ability to pass through
those costs at the time of purchase,” which in practice has led to a permanent rent increase
for many tenants above and beyond that which is allowed and controlled for by the Rent
Ordinance; and

WHEREAS, The Board of Supervisors included this clause with the intent of
grandfathering property owners who had already purchased a building prior to the introduction
of the legislation to allow for the Rent Board to consider whether or not they truly relied on the
additional rent increase above the annual allowable increase in order to pay off increased
expenses; and

WHEREAS, The majority of the Operating & Maintenance pass-through petitions
pending before the Rent Board have been filed by large corporate investment firms and
landlords who own and manage hundreds of buildings (CBS News recently placed one firm at
500 buildings in San Francisco alone) with thousands of rent-controlled tenants, many living
on fixed incomes; and

WHEREAS, Rent Board members have recently opined that without clear guidelines on
how to interpret Section 6.10(e )(1)(B) of the Rules & Regulations, they lack clear direction on
standards for evaluation of pending petitions, and risk undermining the purposes of Ordinance
No. 132-18 and the Operating & Maintenance process, which will cause existing rent-
controlled tenants potential hardship, undue rent burden, displacement and uncertainty, and
as a result the Rent Board has directed staff to draft guidelines for adoption; now, therefore,
be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco
urge the San Francisco Rent Stabilization and Arbitration Board to adopt fair and objective
guidelines, upholding the spirit of the Rent Ordinance outlined in Chapter 37 of the
Administrative Code, for the use of “reasonable reliance” in the evaluation of Operations & Maintenance pass-through petitions, including specific criteria demonstrating their reliance on additional rent increases to pay for increased expenses; and, be it

FURTHER RESOLVED, That the Board of Supervisors of the City and County of San Francisco finds that the burden of proof to demonstrate “reasonable reliance” should be on the property owner and/or landlord, and specific criteria could include providing net operating income information; and, be it

FURTHER RESOLVED, That the Board of Supervisors hereby directs the Clerk of the Board to send a copy of this Resolution upon passage to the San Francisco Rent Board.
Resolution urging the Rent Stabilization and Arbitration Board to adopt fair and objective guidelines, upholding the spirit of the Rent Ordinance outlined in Chapter 37 of the Administrative Code, for the use of "reasonable reliance" in the evaluation of operating and maintenance pass-through petitions, including specific criteria demonstrating their reliance on additional rent increases to pay for increased expenses.

October 01, 2019 Board of Supervisors - ADOPTED
Ayes: 11 - Brown, Fewer, Haney, Mandelman, Mar, Peskin, Ronen, Safai, Stefani, Walton and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 10/1/2019 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board