

REVISED LEGISLATIVE DIGEST
(Substituted, 9/10/2019)

[Administrative Code - General Obligation Bond Pass-Throughs to Tenants]

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 for which landlords may impose such a pass-through on tenants; and to extend the time period for tenants to pay such a pass-through.

Existing Law

The Rent Ordinance (Admin. Code, Ch. 37) allows a landlord to raise the rent by imposing a “pass-through” based on the increase in the landlord's property tax bill that resulted from the repayment of certain categories of general obligation bonds. The pass-through is available for: (1) City general obligation bonds approved by the voters between November 1, 1996 and November 30, 1998; (2) City general obligation bonds approved by the voters after November 14, 2002; and (3) San Francisco Unified School District and San Francisco Community College District general obligation bonds approved by the voters after November 1, 2006.

A landlord may impose a pass-through on a tenant to cover general obligation bond repayment costs from prior years, so long as the tenant was a resident of the property on November 1 of the year(s) in question. The pass-through is spread over the next 12 months regardless how many years worth of property tax bills the calculation is based on. The Rent Board may not grant the tenant relief from the pass-through due to financial hardship.

Amendments to Current Law

The ordinance would allow a tenant to seek relief from pass-throughs related to general obligation bonds approved by the voters on or after the November 5, 2019 election, based on the standard of financial hardship set forth Section 37.7(i) of the Rent Ordinance. Under that standard, the tenant would have to demonstrate to the Rent Board that they are a recipient of means-tested public assistance (e.g., SSI); or that they qualify for financial hardship based on certain HUD/MOHCD criteria related to area median income; or that there is financial hardship due to exceptional circumstances.

The ordinance would also limit the time period a pass-through can cover and the duration for which a pass-through can last, for all general obligation bonds. The existing rule that allows a landlord to impose a pass-through for any year the tenant was a resident on November 1, and to spread the pass-through over 12 months, would remain in effect until December 31, 2020. Starting January 1, 2021, a landlord could not impose a pass-through based on property tax bills issued more than three years before the year in which the pass-through was imposed, and the pass-through would be spread over the same amount of time that the pass-through

covers. For example, if a landlord imposes a pass-through in 2025, it could cover up to the three preceding tax years, from 2022-2024, and would remain in effect for up to 36 months.

Background

This substitute ordinance reflects the following changes from the version that was introduced on July 30, 2019: (1) non-substantive edits to consolidate subsections 37.3(a)(6)(A), (B), and (C); (2) language stating that pass-throughs shall be calculated based on the net taxable value as of November 1; and (3) revisions to subsection (a)(6)(D) with respect to how the three-year deadline for imposing a pass-through is triggered, and to provide that the deadline and time extension shall apply to all general obligation bond pass-throughs starting January 1, 2021.

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