

BOARD of SUPERVISORS



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May 14, 2019

John Rahaim, Director
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Director Rahaim:

On May 7, 2019, Mayor Breed introduced the following legislation:

File No. 190495

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness not to exceed \$500,000,000 to finance the construction, development, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions regarding the Citizens' General Obligation Bond Oversight Committee's review of Affordable Housing Bond expenditures in Administrative Code, Sections 5.30-5.36; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b).

The proposed ordinance is being transmitted to the Planning Department for review and determination regarding consistency with the City's General Plan and eight priority policies of Planning Code Section 101.1. The ordinance is pending before the Budget and Finance Committee and will be scheduled for hearing following receipt of your response.

Angela Calvillo, Clerk of the Board

for  By: Linda Wong, Assistant Clerk
Budget and Finance Committee

Attachment

c: Jonas Ionin, Director of Commission Affairs
Dan Sider, Director of Executive Programs
Aaron Starr, Manager of Legislative Affairs
AnMarie Rodgers, Director of Citywide Planning
Scott Sanchez, Acting Deputy Zoning Administrator
Corey Teague, Zoning Administrator
Lisa Gibson, Environmental Review Officer
Devyani Jain, Deputy Environmental Review Officer
Joy Navarrete, Environmental Planning
Laura Lynch, Environmental Planning

1 [General Obligation Bond Election - Affordable Housing - Not to Exceed \$500,000,000]

2
3 **Ordinance calling and providing for a special election to be held in the City and County**
4 **of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to**
5 **San Francisco voters a proposition to incur bonded indebtedness not to exceed**
6 **\$500,000,000 to finance the construction, development, acquisition, improvement,**
7 **rehabilitation, preservation, and repair of affordable housing improvements, and**
8 **related costs necessary or convenient for the foregoing purposes; authorizing**
9 **landlords to pass-through 50% of the resulting property tax increase to residential**
10 **tenants under Administrative Code, Chapter 37; providing for the levy and collection of**
11 **taxes to pay both principal and interest on such Bonds; incorporating the provisions**
12 **regarding the Citizens' General Obligation Bond Oversight Committee's review of**
13 **Affordable Housing Bond expenditures in Administrative Code, Sections 5.30-5.36;**
14 **setting certain procedures and requirements for the election; adopting findings under**
15 **the California Environmental Quality Act; and finding that the proposed Bonds are in**
16 **conformity with the General Plan, and the eight priority policies of Planning Code,**
17 **Section 101.1(b).**

18 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
19 **Additions to Codes** are in *single-underline italics Times New Roman font*.
20 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
21 **Board amendment additions** are in double-underlined Arial font.
22 **Board amendment deletions** are in ~~strikethrough Arial font~~.
23 **Asterisks (* * * *)** indicate the omission of unchanged Code
24 subsections or parts of tables.

25 Be it ordained by the People of the City and County of San Francisco:

Section 1. Findings.

1 A. The City and County of San Francisco (“City”) has been reported to have the
2 highest median rent in the United States with a one-bedroom apartment asking monthly rent
3 of \$3,700 according to the April 2019 National Rent Report on the rental listing website
4 Zumper.

5 B. The City is also one of the highest-priced home ownership markets in the United
6 States with a median home sales price of \$1.353 million, a 3% increase from the previous
7 year according to the April 2019 report by real estate website Zillow.

8 C. The Mayor’s Office of Housing and Community Development (“MOHCD”)
9 continues to see a widening affordability gap for extremely-low, low and middle-income
10 households in both the rental and homeownership markets.

11 D. The affordability gap has the greatest impact on extremely-low and low-income
12 households such as seniors, persons with disabilities, low-income working families, and
13 veterans.

14 E. Limited state and federal resources and the high cost of housing development
15 put a greater burden on local governments to contribute their own limited resources, and
16 consequently the City’s supply of affordable housing has not kept pace with demand.

17 F. The housing need in the City is also particularly acute for middle-income
18 households, for whom there are no federal and limited state financing programs that the City
19 can leverage with its own subsidies.

20 G. The U.S. Department of Housing and Urban Development’s contribution of funds
21 to the San Francisco Housing Authority (“Housing Authority”) for costs to operate public
22 housing, have seen a steady decrease in funding levels.

23 H. The average annual household income for Housing Authority residents and
24 voucher-holders is less than \$20,000.

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1 I. The housing affordability gap that has arisen and expanded in the local housing
2 market inhibits the City from ensuring that economic diversity is maintained.

3 J. These high housing costs can inhibit healthy and balanced economic growth in
4 our region.

5 K. The failure to build affordable housing close to job centers such as San
6 Francisco results in long commutes, road congestion, and environmental harm as people
7 seek affordable housing at greater distances from where they work.

8 L. The proposed Bonds will provide a portion of the critical funding necessary to
9 construct, acquire, improve, rehabilitate, preserve, and repair affordable housing in the City
10 (as further defined in Section 3 below).

11 Section 2. A special election is called and ordered to be held in the City on Tuesday,
12 November 5, 2019, for the purpose of submitting to the electors of the City a proposition to
13 incur bonded indebtedness of the City for the programs described in the amount and for the
14 purposes stated (herein collectively, the "Project"):

15 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. \$500,000,000 to construct,
16 develop, acquire, and preserve housing affordable to extremely-low, low- and middle-income
17 households through programs that will prioritize vulnerable populations such as San
18 Francisco's working families, veterans, seniors, and persons with disabilities; to assist in the
19 acquisition, rehabilitation, and preservation of existing affordable housing to prevent the
20 displacement of residents; to repair and reconstruct distressed and dilapidated public housing
21 developments and their underlying infrastructure; and to assist the City's middle-income
22 residents in obtaining affordable rental or home ownership opportunities including down
23 payment assistance for San Francisco Unified School District educators and other middle-
24 income working households; and to pay related costs; all subject to independent citizen
25 oversight and regular audits; and authorizing landlords to pass-through to residential tenants

1 in units subject to Administrative Code Chapter 37 (the "Residential Rent Stabilization and
2 Arbitration Ordinance") 50% of the increase in the real property taxes attributable to the cost
3 of the repayment of such Bonds.

4 The special election called and ordered to be held hereby shall be referred to in this
5 ordinance as the "Bond Special Election."

6 Section 3. PROPOSED PROGRAM. Contractors and City departments shall
7 comply with all applicable City laws when awarding contracts or performing work funded with
8 the proceeds of Bonds authorized by this measure, including:

9 A. PUBLIC HOUSING: \$150,000,000 of Bond proceeds will be allocated to
10 repair and reconstruct distressed and dilapidated public housing developments and their
11 underlying infrastructure.

12 B. LOW INCOME HOUSING: \$210,000,000 of Bond proceeds will be
13 allocated to construct, acquire, and rehabilitate rental housing serving extremely-low and low-
14 income individuals and families. It is intended that a portion of proceeds of the Bonds will be
15 used to assist members of the City's workforce in jobs with traditionally low compensation
16 levels, such as San Francisco Unified School District employees, nonprofit workers, health
17 care service workers, and service sector employees.

18 C. PRESERVATION AND MIDDLE INCOME HOUSING: \$50,000,000 of
19 Bond proceeds will be allocated to preservation and middle income housing efforts. This
20 allocation shall be comprised of the following: up to \$30 million of the Bond proceeds will be
21 allocated to acquire and/or rehabilitate existing housing at risk of losing affordability, whether
22 through market forces or a building's physical disrepair, and a minimum of \$20 million of the
23 Bond proceeds will be allocated to assist middle-income City residents in obtaining affordable
24 homeownership or rental opportunities.

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1 D. SENIOR HOUSING: \$90,000,000 of Bond proceeds will be allocated to
2 acquire and construct new senior housing.

3 E. CITIZENS' OVERSIGHT COMMITTEE. A portion of the Bond shall be used to
4 perform audits of the Bond, as further described in Section 4 and Section 15 below.

5 Section 4. BOND ACCOUNTABILITY MEASURES.

6 The Bonds shall include the following administrative rules and principles:

7 A. OVERSIGHT. The proposed Bond funds shall be subject to approval processes
8 and rules described in the San Francisco Charter and Administrative Code. Pursuant to
9 Administrative Code Section 5.31, the Citizens' General Obligation Bond Oversight
10 Committee shall conduct an annual review of Bond spending, and shall provide an annual
11 report of the Bond program to the Mayor and the Board of Supervisors ("Board").

12 B. TRANSPARENCY. The City shall create and maintain a web page outlining and
13 describing the bond program, progress, and activity updates. The City shall also hold an
14 annual public hearing and review on the bond program and its implementation before the
15 Capital Planning Committee and the Citizens' General Obligation Bond Oversight Committee.

16 Section 5. The estimated cost of the bond-financed portion of the project described
17 in Section 2 above was fixed by the Board by the following resolution and in the amount
18 specified below:

19 Resolution No. _____, on file with the Clerk of the Board in File No.
20 _____ \$500,000,000.

21 Such resolution was passed by two-thirds or more of the Board and approved by the
22 Mayor. In such resolution it was recited and found by the Board that the sum of money
23 specified is too great to be paid out of the ordinary annual income and revenue of the City in
24 addition to the other annual expenses or other funds derived from taxes levied for those
25 purposes and will require expenditures greater than the amount allowed by the annual tax

1 levy.

2 The method and manner of payment of the estimated costs described in this ordinance
3 are by the issuance of Bonds by the City not exceeding the principal amount specified.

4 Such estimate of costs as set forth in such resolution is adopted and determined to be
5 the estimated cost of such bond-financed improvements and financing, respectively.

6 Section 6. The Bond Special Election shall be held and conducted and the votes
7 received and canvassed, and the returns made and the results ascertained, determined, and
8 declared as provided in this ordinance and in all particulars not recited in this ordinance such
9 election shall be held according to the laws of the State of California ("State") and the Charter
10 of the City ("Charter") and any regulations adopted under State law or the Charter, providing
11 for and governing elections in the City, and the polls for such election shall be and remain
12 open during the time required by such laws and regulations.

13 Section 7. The Bond Special Election is consolidated with the General Election
14 scheduled to be held in the City on Tuesday, November 5, 2019 ("General Election"). The
15 voting precincts, polling places, and officers of election for the General Election are hereby
16 adopted, established, designated, and named, respectively, as the voting precincts, polling
17 places, and officers of election for the Bond Special Election called, and reference is made to
18 the notice of election setting forth the voting precincts, polling places, and officers of election
19 for the General Election by the Director of Elections to be published in the official newspaper
20 of the City on the date required under the laws of the State.

21 Section 8. The ballots to be used at the Bond Special Election shall be the ballots to
22 be used at the General Election. The word limit for ballot propositions imposed by Municipal
23 Elections Code Section 510 is waived. On the ballots to be used at the Bond Special Election,
24 in addition to any other matter required by law to be printed thereon, shall appear the following
25 as a separate proposition:

1 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction,
2 development, acquisition, and preservation of housing affordable to extremely-low, low and
3 middle-income households through programs that will prioritize vulnerable populations such
4 as San Francisco's working families, veterans, seniors, and persons with disabilities; to assist
5 in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the
6 displacement of residents; to repair and reconstruct distressed and dilapidated public housing
7 developments and their underlying infrastructure; and to assist the City's middle-income
8 residents in obtaining affordable rental or home ownership opportunities including down
9 payment assistance for San Francisco Unified School District educators and other middle-
10 income households; and to pay related costs; shall the City and County of San Francisco
11 issue \$500,000,000 in general obligation bonds with a duration of up to 30 years from the time
12 of issuance, an estimated average tax rate of \$0.016/\$100 of assessed property value, and
13 projected average annual revenues of \$41,000,000, subject to independent citizen oversight
14 and regular audits?"

15 The City's current debt management policy is to maintain the property tax rate for City
16 general obligation bonds below the 2006 rate by issuing new general obligation bonds as
17 older ones are retired and the tax base grows, though this property tax rate may vary based
18 on other factors.

19 Each voter to vote in favor of the foregoing bond proposition shall mark the ballot in the
20 location corresponding to a "YES" vote for the proposition, and to vote against the proposition
21 shall mark the ballot in the location corresponding to a "NO" vote for the proposition.

22 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the
23 voters voting on the proposition voted in favor of and authorized the incurring of bonded
24 indebtedness for the purposes set forth in such proposition, then such proposition shall have
25 been accepted by the electors, and the Bonds authorized shall be issued upon the order of

1 the Board. Such Bonds shall bear interest at a rate not exceeding that permitted by law.

2 The votes cast for and against the proposition shall be counted separately and when
3 two-thirds of the qualified electors, voting on the proposition, vote in favor, the proposition
4 shall be deemed adopted.

5 Section 10. The actual expenditure of Bond proceeds provided for in this ordinance
6 shall be net of financing costs.

7 Section 11. For the purpose of paying the principal and interest on the Bonds, the
8 Board shall, at the time of fixing the general tax levy and in the manner for such general tax
9 levy provided, levy and collect annually each year until such Bonds are paid, or until there is a
10 sum in the Treasury of the City, or other account held on behalf of the Treasurer of the City,
11 set apart for that purpose to meet all sums coming due for the principal and interest on the
12 Bonds, a tax sufficient to pay the annual interest on such Bonds as the same becomes due
13 and also such part of the principal thereof as shall become due before the proceeds of a tax
14 levied at the time for making the next general tax levy can be made available for the payment
15 of such principal.

16 Section 12. This ordinance shall be published in accordance with any State law
17 requirements, and such publication shall constitute notice of the Bond Special Election and no
18 other notice of the Bond Special Election hereby called need be given.

19 Section 13. The Board, having reviewed the proposed legislation, makes the following
20 findings in compliance with the California Environmental Quality Act ("CEQA"), California
21 Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative
22 Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco Administrative Code
23 Chapter 31 ("Chapter 31"): The Environmental Review Officer determined that this legislation
24 is not defined as a project subject to CEQA because it is a funding mechanism involving no
25 commitment to any specific projects at any specific locations, as set forth in CEQA Guidelines

1 Section 15378.

2 Section 14. The Board finds and declares that the proposed Bonds (a) were referred
3 to the Planning Department in accordance with Section 4.105 of the San Francisco Charter
4 and Section 2A.53(f) of the Administrative Code, (b) are in conformity with the priority policies
5 of Section 101.1(b) of the San Francisco Planning Code, and (c) are consistent with the City's
6 General Plan, and adopts the findings of the Planning Department, as set forth in the General
7 Plan Referral Report dated _____, a copy of which is on file with the Clerk of the Board in
8 File No. _____, and incorporates such findings by this reference.

9 Section 15. Under Section 53410 of the California Government Code, the Bonds shall
10 be for the specific purpose authorized in this ordinance and the proceeds of such Bonds will
11 be applied only for such specific purpose. The City will comply with the requirements of
12 Sections 53410(c) and 53410(d) of the California Government Code.

13 Section 15. The Bonds are subject to, and incorporate by reference, the applicable
14 provisions of Administrative Code Sections 5.30-5.36 (the "Citizens' General Obligation Bond
15 Oversight Committee"). Under Administrative Code Section 5.31, to the extent permitted by
16 law, 0.1% of the gross proceeds of the Bonds shall be deposited in a fund established by the
17 Controller's Office and appropriated by the Board of Supervisors at the direction of the
18 Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

19 Section 16. The time requirements specified in Administrative Code Section 2.34 are
20 waived.

21 Section 17. The City hereby declares its official intent to reimburse prior expenditures
22 of the City incurred or expected to be incurred prior to the issuance and sale of any series of
23 the Bonds in connection with the Project. The Board hereby declares the City's intent to
24 reimburse the City with the proceeds of the Bonds for expenditures with respect to the Project
25 (the "Expenditures" and each, an "Expenditure") made on and after that date that is no more

1 than 60 days prior to the passage of this ordinance. The City reasonably expects on the date
2 hereof that it will reimburse the Expenditures with the proceeds of the Bonds.

3 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
4 account under general federal income tax principles (determined in each case as of the date
5 of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item
6 that is not customarily payable from current revenues, or (d) a grant to a party that is not
7 related to or an agent of the City so long as such grant does not impose any obligation or
8 condition (directly or indirectly) to repay any amount to or for the benefit of the City. The
9 maximum aggregate principal amount of the Bonds expected to be issued for the Project is
10 \$500,000,000. The City shall make a reimbursement allocation, which is a written allocation
11 by the City that evidences the City's use of proceeds of the applicable series of Bonds to
12 reimburse an Expenditure, no later than 18 months after the later of the date on which the
13 Expenditure is paid or the related portion of the Project is placed in service or abandoned, but
14 in no event more than three years after the date on which the Expenditure is paid. The City
15 recognizes that exceptions are available for certain "preliminary expenditures," costs of
16 issuance, certain de minimis amounts, expenditures by "small issuers" (based on the year of
17 issuance and not the year of expenditure) and Expenditures for construction projects of at
18 least five years.

19 Section 18. The appropriate officers, employees, representatives, and agents of the
20 City are hereby authorized and directed to do everything necessary or desirable to accomplish
21 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions
22 of this ordinance.

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1 Section 19. Documents referenced in this ordinance are on file with the Clerk of the
2 Board of Supervisors in File No. _____, which is hereby declared to be a part of this
3 ordinance as if set forth fully herein.
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6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA,
8 City Attorney

9 By:

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11 MARK D. BLAKE
12 Deputy City Attorney

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LEGISLATIVE DIGEST

[General Obligation Bond Election - Affordable Housing - Not to Exceed \$500,000,000]

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness not to exceed \$500,000,000 to finance the construction, development, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions regarding the Citizens' General Obligation Bond Oversight Committee's review of Affordable Housing Bond expenditures in Administrative Code, Sections 5.30-5.36; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b).

Existing Law

General Obligation Bonds of the City and County of San Francisco may be issued only with the assent of two-thirds of the voters voting on the proposition.

Ballot Proposition

This ordinance authorizes the following ballot proposition to be placed on the November 5, 2019 ballot:

“SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction, development, acquisition, and preservation of housing affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations such as San Francisco’s working families, veterans, seniors, persons with disabilities; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; and to assist the City’s middle-income residents in obtaining affordable rental or home ownership opportunities including down payment assistance for San Francisco Unified School District educators and other middle-income households; and to pay related costs; shall the City and County of San Francisco issue \$500,000,000 in general obligation bonds with a duration of up to 30 years from the time of issuance, an estimated average tax rate of \$0.016/\$100 of assessed property value, and projected average annual revenues of \$41,000,000, subject to independent citizen oversight and regular audits?”

The ordinance fixes the maximum rate of interest on the Bonds, and provides for a levy and collection of taxes to repay both the principal and interest on the Bonds. The ordinance also describes the manner in which the Bond Special Election will be held, and the ordinance provides for compliance with applicable state and local laws. The proposed ordinance includes accountability and transparency measures.

Background Information

The City and County of San Francisco ("City") has been reported to have the highest rental and homeownership markets in the United States. The Mayor's Office of Housing and Community Development (MOHCD) continues to see a widening affordability gap for extremely-low, low and middle-income households in both the rental and homeownership markets. Moreover, the affordability gap continues to grow and has the greatest impact on extremely-low and low-income households such as seniors, persons with disabilities, low-income working families and veterans.

Given the limited state and federal resources, and the high cost of housing development, significant burdens have been placed on the limited resources of local government. As a consequence the City's supply of affordable housing has not kept pace with demand. This is particularly acute for middle-income households, for whom there are no federal and limited state financing programs that the City can leverage with its own subsidies.

The proposed Bonds will provide a portion of the critical funding necessary to construct, acquire, improve, rehabilitate, preserve, and repair affordable housing in the City, including \$150,000,000 for public housing, \$210,000,000 for low income housing, \$50,000,000 for preservation and middle income housing and \$90,000,000 for senior housing (all as further described in the ordinance, and the 2019 Affordable Housing Bond Report prepared by MOHCD).

The Board of Supervisors found that the amount of money specified for this project is and will be too great to be paid out of the ordinary annual income and revenue of the City, and will require expenditures greater than the amount allowed therefor by the annual tax levy.