

File No. 240726

Committee Item No. 1

Board Item No. 35

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date July 10, 2024

Board of Supervisors Meeting Date July 16, 2024

Cmte Board

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<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>FYI Referral 7/1/2024</u>
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Completed by: Brent Jalipa Date July 5, 2024

Completed by: Brent Jalipa Date July 11, 2024

[Administrative Code - Workforce Housing and Affordable Middle-Income Revenue Bonds]

Ordinance amending the Administrative Code to permit the issuance of bonds to finance the acquisition, development, rehabilitation, or construction of middle-income and workforce housing, and to establish ownership, tenancy, affordability, and program requirements.

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.

(a) The City's Regional Housing Needs Assessment creates a state-mandated obligation to construct a minimum of 46,000 affordable units by 2030, comprised of at least 20,867 units for very low-income households, 12,014 units for low-income households, and 13,717 units for moderate-income households.

(b) Existing affordable housing programs target funding for very low-income and low-income households, thereby creating a "missing middle" funding gap for middle-income and workforce households.

1 (c) Middle-income earners such as teachers, healthcare workers, first responders, and
2 public sector employees are vital to the economic and social success of the City, but many
3 middle-income households struggle to find affordable housing in San Francisco.

4 (d) The City suffers from a deficit of affordable housing for many of its residents,
5 including its middle-income residents, despite constructing and preserving more affordable
6 housing per capita than any other city in California.

7 (e) On April 30, 2019, the Board of Supervisors ("Board") adopted its Resolution No.
8 215-19 to approve the FY 2020-29 Capital Plan and formally recognize housing affordable to
9 low- and moderate-income San Franciscans as integral to the City's public infrastructure and
10 regular capital planning process.

11 (f) The lack of housing affordable to low- and moderate-income essential workers
12 impacts the City's economic health, and its resiliency in the face of disaster or other
13 emergencies if first responders cannot afford to live in the City.

14 (g) Market-rate development, which is based on private equity capital's rates of return,
15 is volatile and tied to economic cycles, and demands rents that leave out middle-income
16 workers from the housing market.

17 (h) The City has an urgent need to address this growing housing affordability crisis for
18 the health, welfare, and safety of its inhabitants.

19 (i) The City is authorized under Section 103 and related provisions of the Internal
20 Revenue Code to issue tax-exempt debt for capital projects with a governmental purpose,
21 including for rental housing projects.

22 (j) The City may also issue tax-exempt debt pursuant to Section 145 and related
23 provisions of the Internal Revenue Code, and loan the proceeds to qualified non-profit entities
24 to acquire, develop, construct, rehabilitate, improve, repair, and equip safe and sanitary
25 affordable housing.

(k) The City supports the creation of additional preferences for occupations essential to our local economic and cultural fabric, including but not limited to healthcare workers, first responders, public sector and non-profit workers, and artists, and intends to explore the creation of such preferences.

Section 2. Chapter 43 of the Administrative Code is hereby amended by adding Article XV, consisting of Sections 43.15.1 through 43.15.28, to read as follows:

ARTICLE XV:

WORKFORCE HOUSING AND AFFORDABLE MIDDLE-INCOME REVENUE BOND LAW

TITLE 1 - - GENERAL PROVISIONS AND DEFINITIONS

SEC. 43.15.1. TITLE.

This Article XV may be cited as the Workforce Housing and Affordable Middle-Income Revenue
Bond Law.

SEC. 43.15.2. PURPOSE.

The Board of Supervisors hereby finds and declares that it is necessary and essential, serves a critical public purpose, and is a municipal affair, for the City to address its middle-income and workforce affordable housing crisis by issuing bonds to finance the acquisition, development, rehabilitation, and construction of housing for middle-income and workforce individuals and households. The City can promote such interests pursuant to this Article XV without adversely affecting areas outside the City and without conflicting with efforts by the State of California to solve problems of statewide concern.

1 **SEC. 43.15.3. FULL AUTHORITY.**

2 *This Article XV is full authority for the issuance of bonds by the City for the purposes described*
3 *herein, and other purposes reasonably related and subordinate to the purposes described herein.*

5 **SEC. 43.15.4. ADDITIONAL AUTHORITY.**

6 *(a) This Article XV shall be deemed to provide a complete, additional, and alternative*
7 *method for taking the actions authorized thereby, and shall be regarded as supplemental and additional*
8 *to the powers conferred by other laws, including the City's ability to issue debt pursuant to Article*
9 *I of this Chapter 43, and loan the proceeds thereof to an organization of the type described in*
10 *Section 501(c)(3) of the Internal Revenue Code. The issuance of bonds under the provisions of this*
11 *Article need not comply with the requirements of any other law applicable to the issuance of bonds.*

12 *(b) The purposes authorized hereby may be effectuated and bonds may be issued for any*
13 *such purposes under this Article XV notwithstanding that any other law may provide for such purposes*
14 *or for the issuance of bonds for like purposes and without regard to the requirements, restrictions,*
15 *limitations or other provisions contained in any other law.*

16 *(c) This Article XV shall not be construed to limit any power the City may have under any*
17 *other State or local law, including the City's ability to issue debt pursuant to Article I of this*
18 *Chapter 43, and loan the proceeds thereof to an organization of the type described in Section*
19 *501(c)(3) of the Internal Revenue Code. Nothing contained in this Article shall be construed to*
20 *prohibit the City from exercising any power granted under any other State or local law.*

22 **SEC. 43.15.5. DEFINITIONS.**

23 *Unless the context otherwise requires, the terms defined in this Article XV shall have the*
24 *following meanings:*

1 "AMI" (or "Median Income") means the median family income, adjusted for household size, for
2 the San Francisco Metro Fair Market Rent Area published annually by the United States Department of
3 Housing and Urban Development pursuant to Section 8 of the United States Housing Act of 1937.

4 "BMR" means below market rate units.

5 "Bonds" means any bonds, notes, certificates, debentures, leases, or other obligations or
6 evidence of indebtedness issued, incurred, or undertaken by the City pursuant to this Article XV and
7 payable as provided in this Article.

8 "City" means the City and County of San Francisco or any entity controlled by the City and
9 County of San Francisco.

10 "Cost" means the total of all costs incurred by or on behalf of the City to carry out all works
11 and undertakings and to obtain all rights and powers necessary or incident to the acquisition,
12 development, construction, improvement, repair, maintenance, operation, or rehabilitation of a
13 Residence. "Cost" may include all costs of issuance of bonds for such purposes and costs for
14 acquisition, development, construction, improvement, repair, maintenance, operation, or rehabilitation
15 undertaken directly by either the City or a Sponsor.

16 "HUD" means the United States Department of Housing and Urban Development pursuant to
17 Section 8 of the United States Housing Act of 1937.

18 "Indenture" means any indenture, trust agreement, funding loan agreement, pledge and
19 assignment agreement, or other instrument providing for the issuance of and security of bonds.

20 "Median Income" has the same meaning as AMI.

21 "Program Administrator" means the Mayor's Office of Housing and Community Development
22 or its successor agency.

23 "Qualified 501(c)(3) Sponsor" means a Sponsor that has received a determination letter from
24 the Internal Revenue Service qualifying it as an organization of the type described in Section 501(c)(3)
25

1 of the Internal Revenue Code, and whose charitable purpose is furthered by the financing, ownership,
2 and operation of a Residence pursuant to this Article XV.

3 "Residence" means real property improved with a structure primarily for residential rental
4 purposes. "Residence" includes real property improved with one or more structures primarily for multi-
5 family residential rental purposes. A Residence may consist of one or more legally subdivided portions
6 of a building and may consist of one or more entire buildings.

7 "Revenues" means any or all of the amounts received by or on behalf of the City: for the
8 payment of principal, interest, and all other charges with respect to a bond or a loan under this Article
9 XV; as payments under a loan, lease, sublease or sale agreement with respect to a Residence; as
10 proceeds received by the City from mortgage, hazard, or other insurance with respect to a Residence or
11 with respect to such a loan (or any property securing such loan), lease, sublease, or sale agreement; all
12 rents, charges, fees, income, and receipts derived by the City from the ownership, operation, or
13 disposition of a Residence; all other rents, charges, fees, income, and receipts derived by the City from
14 the financing of a Residence under this Article XV; any amounts received by the City as investment
15 earnings on moneys deposited in any fund securing bonds and such other legally available moneys; in
16 each case as the same may be pledged or assigned by the City as security for the payment of bonds
17 pursuant to an ordinance, or to any indenture or other financing document authorized by such
18 ordinance .

19 "Sponsor" means any individual, association, corporation, partnership, or other entity which is
20 approved by the City to undertake the acquisition, building, development, construction, rehabilitation,
21 improvement, management, or operation of a Residence pursuant to this Article XV.

22 "Stabilized Occupancy" means the point in time at which (1) all income-restricted units are
23 occupied for the first time, for a new construction Residence acquired or developed with proceeds of
24 bonds, (2) all income-restricted units are occupied for the first time after acquisition of the Residence,
25 for an existing Residence acquired without existing tenants or with tenants to be permanently relocated,

1 or (3) all income-restricted units with existing over-income tenants upon acquisition of the Residence
2 have vacated such units and have been replaced with new tenants, for an existing Residence acquired
3 with existing tenants who will not be permanently relocated.

4 5 **TITLE 2 - - RESIDENCES**

6 7 **SEC. 43.15.6. LOANS TO QUALIFIED 501(c)(3) SPONSORS.**

8 The City may use the proceeds of bonds to make, purchase, or otherwise contract for the
9 making of, a mortgage loan or other secured loan to a Qualified 501(c)(3) Sponsor, upon such terms
10 and conditions as the City shall deem proper, for the Costs of a Residence.

11 12 **SEC. 43.15.7. SURPLUS REVENUES.**

13 Subject to regulations approved by the Citywide Loan Committee pursuant to Section 43.15.13,
14 surplus revenues of a Residence shall be deposited into the Housing Trust Fund, established pursuant
15 to Charter Section 16.110.

16 17 **SEC. 43.15.8. AFFORDABILITY REQUIREMENTS.**

18 Residences financed under this Article XV shall meet all the following affordability
19 requirements:

20 (a) The Sponsor, or any other owner of a Residence that is not the City, shall enter into a
21 regulatory agreement with the City for the life of the Residence to restrict occupancy of units to tenants
22 with household income not to exceed 120% of AMI, and monthly rent not to exceed one-twelfth of 30%
23 of 120% of AMI. Nothing in this Article XV shall limit the Board from requiring household incomes and
24 corresponding rent maximums to be lower than the preceding sentence.

1 **(b) Initial rents for qualified households shall not exceed the lesser of: (1) 30% of one-**
2 **twelfth of the applicable annual income limit, or (2) at the election of the Sponsor, either (A) 15%**
3 **below comparable market rent as established by a third-party market study accepted by the City, or (B)**
4 **the average 10% below Small Area Fair Market Rents established by HUD.**

5 **(c) Average income at Stabilized Occupancy in each Residence must be no greater than**
6 **100% of Median Income. Average rents at Stabilized Occupancy in each Residence must be no greater**
7 **than 30% of such average income limit.**

8 **(d) In instances of acquisition, no existing residents shall be involuntarily displaced. Units**
9 **will be made available to households meeting the income restrictions applicable to the Residence upon**
10 **voluntary vacancy of each such unit. Any existing tenants who elect to income-certify after the**
11 **acquisition of a Residence will have their rent adjusted to the applicable affordability levels. If a**
12 **Residence is subject to Administrative Code Chapter 37 (the Residential Rent Stabilization and**
13 **Arbitration Ordinance, or "Rent Ordinance") prior to acquisition, units will continue to be subject to**
14 **the Rent Ordinance and excluded from the regulatory agreement until the earlier of: (1) the existing**
15 **tenant voluntarily vacating the unit, or (2) the existing tenant income-certifying and executing a new**
16 **lease under the requirements of the regulatory agreement.**

17 **(e) Annual rent increases shall not exceed the lesser of the annual percentage change of**
18 **100% of AMI from the previous year or 4% of the existing rent.**

19
20 **SEC. 43.15.9. RENTS AND CHARGES.**

21 **The City may fix rents, payments, fees, charges, and interest rates for financing under this**
22 **Article XV and may agree to revise from time to time such rents, payments, fees, charges, and interest**
23 **rates to reflect changes in interest rates on bonds, losses due to defaults, or changes in other expenses**
24 **related to this Article, including City administrative expenses, in each case subject to Section 43.15.8**
25 **and other applicable laws.**

1
2 **SEC. 43.15.10. SECURITY FOR BONDS OR LOANS TO QUALIFIED 501(c)(3)**

3 **SPONSORS.**

4 *The City may grant deeds of trust or mortgages as security for repayment of bonds, and may*
5 *hold deeds of trust as security for loans made to Qualified 501(c)(3) Sponsors under this Article XV,*
6 *and may pledge or assign the same as security for repayment of bonds. Such deeds of trust, mortgages*
7 *or security interests, or any other interest of the City in any Residence, may be assigned to, and held on*
8 *behalf of the City by, any bond purchaser, collateral agent, or bank or trust company appointed to act*
9 *as trustee by the City in any ordinance or indenture providing for the issuance of bonds.*

10
11 **SEC. 43.15.11. PROFESSIONAL SERVICES.**

12 *The City may contract for such housing development services, construction management,*
13 *engineering, architectural, financial, accounting, property management, asset management, appraisal,*
14 *consulting, or other professional services as may be necessary in the judgment of the City to further the*
15 *purposes of this Article XV.*

16
17 **SEC. 43.15.12. PUBLIC WORKS REQUIREMENTS INAPPLICABLE; PUBLIC POWER.**

18 *(a) Except as specifically provided in this Article XV, the acquisition, development,*
19 *construction, improvement, repair, maintenance, or rehabilitation of a Residence financed under this*
20 *Article shall not be subject to any requirements relating to buildings, works, or improvements owned or*
21 *operated by the City under Administrative Code Chapter 6; and any requirement of public competitive*
22 *bidding or other procedural restriction imposed on the award of contracts for acquisition,*
23 *development, construction, improvement, repair, maintenance, or rehabilitation of a City building,*
24 *work, or improvement or to the lease, sublease, sale, or other disposition of City property under*
25 *Chapter 6 shall not be applicable to any action taken under this Article.*

1 **(b) The Public Utilities Commission shall supply electricity to a Residence financed**
2 **pursuant to this Article XV unless the Program Administrator determines, based on the feasibility**
3 **assessment described in Administrative Code Section 99.2, that the cost of City electricity service**
4 **imposes significant additional capital or operating costs to the acquisition, development,**
5 **improvement, repair, maintenance, rehabilitation, construction, or operation of such**
6 **Residence.**

7
8 **SEC. 43.15.13. PROGRAM ADMINISTRATOR; REGULATIONS.**

9 **(a) The Program Administrator is responsible for the administration of this Article XV,**
10 **subject to any rules and regulations promulgated, pursuant to this Article. The Program Administrator,**
11 **in consultation with the Controller's Office of Public Finance, shall prepare and submit to the Citywide**
12 **Loan Committee for approval, rules and regulations permitted under this Article, including but not**
13 **limited to rules and regulations for underwriting standards, surplus revenues, credit enhancement, and**
14 **Sponsor fees.**

15 **(b) Regulations for Income Certification Process.**

16 **(1) Incomes shall be certified only through providing one year's tax returns and a**
17 **voluntary statement of assets, except as otherwise required by a public subsidy.**

18 **(2) Initial credit and rental background checks shall be conducted concurrently**
19 **with initial income certification.**

20 **(3) Applicants shall be approved or denied within 20 business days of a**
21 **determination of preference made pursuant to Administrative Code Chapter 47.**

22 **(4) Recertification shall be limited to once every five years, unless otherwise**
23 **required by law.**

1 (c) The Program Administrator shall monitor each Residence for compliance with that
2 Residence's regulatory agreement for the term of such regulatory agreement and provide an annual
3 report to the Board of Supervisors on the status of this Article XV.

4
5 **SEC. 43.15.14. ADDITIONAL POWERS.**

6 In addition to all other powers specifically granted by this Article XV, the City may do all things
7 necessary or convenient to carry out the purposes of this Article. Notwithstanding Section 43.1.17 of
8 this Chapter 43 or any other provision to the contrary, the City shall have the power to acquire, own,
9 lease, dispose of, and operate one or more Residences financed under this Article, in each case as a
10 business, in furtherance of the purposes of this Article.

11
12 **TITLE 3 - - BONDS**

13
14 **SEC. 43.15.15. ISSUANCE OF BONDS; LOANS TO QUALIFIED 501(c)(3) SPONSORS.**

15 The City may, from time to time, issue bonds approved by ordinance by the Board of
16 Supervisors for any of the purposes of this Article XV, including, but not limited to, the financing or
17 refinancing of Residences to be owned by the City, or the making of loans to Qualified 501(c)(3)
18 Sponsors to finance or refinance Residences owned by such Sponsors, and any other purpose
19 reasonably related thereto and necessary or convenient to carry out the purposes of this Article.

20
21 **SEC. 43.15.16. BONDS NOT DEBT OF CITY.**

22 (a) Every issue of bonds shall be a limited obligation of the City payable from all or any
23 specified part of the Revenues and the moneys and assets authorized in this Article XV to be pledged or
24 assigned to secure payment of bonds. Such Revenues, moneys, or assets shall be the sole source of
25 repayment of such issue of bonds and shall constitute a special fund for purposes of Section 18 of

1 Article XVI of the California Constitution. Bonds issued under the provisions of this Article XV shall
2 not be deemed to constitute a debt or liability of the City or a pledge of the faith and credit of the City
3 but shall be payable solely from specified Revenues, moneys, and assets. The issuance of bonds shall
4 not directly, indirectly, or contingently obligate the City to levy or pledge any form of taxation or to
5 make any appropriation for their payment.

6 (b) All bonds shall contain on their face a statement to the following effect: Neither the faith
7 and credit nor the taxing power of the City is pledged to the payment of the principal of or premium or
8 interest on this bond.

9
10 **SEC. 43.15.17. COST OF ISSUANCE; RESERVE FUNDS; CAPITALIZED BOND**
11 **INTEREST.**

12 In determining the amount of bonds to be issued, the City may include all costs of the issuance
13 of such bonds, reserve funds, and capitalized bond interest.

14
15 **SEC. 43.15.18. LEGISLATION AND BOND TERMS.**

16 (a) Notwithstanding any other ordinance, the Board of Supervisors by ordinance may take
17 any and all actions necessary to authorize, issue, and repay the bonds, including, but not limited to,
18 modifying schedules of rents, loan payments, rates, and charges to provide for the payment and
19 retirement of such bonds.

20 (b) Bonds may be issued as serial bonds, term bonds, finance leases, installment payment
21 obligations, loans, notes, certificates of participation, or pass-through certificates, or any combination
22 thereof. Bonds shall be authorized by ordinance by the Board of Supervisors and shall bear such date
23 or dates; mature at such time or times; bear interest at such fixed or variable rate or rates; be payable
24 at such time or times; be in such denominations; be in such form, either coupon or registered; carry
25 such registration privileges; be executed in such manner; be payable in lawful money of the United

1 States of America at such place or places; and be subject to such terms of redemption and have such
2 other terms and conditions as such ordinance, or any indenture authorized by such ordinance to be
3 entered into by the City, may provide. Bonds may be sold at either public or private sale and for such
4 prices as the City shall determine. Interest on bonds may be excluded or included from gross income of
5 the owners thereof for federal income tax purposes.

6
7 **SEC. 43.15.19. BOND PROVISIONS.**

8 Any ordinance authorizing any bonds or any issue of bonds, or any indenture authorized by
9 such ordinance to be entered into by the City, may contain provisions respecting any of the following
10 terms and conditions, which shall be a part of the contract with the holders of such bonds:

11 (a) The terms, conditions, and form of such bonds and the interest and principal to be paid
12 thereon;

13 (b) Limitations on the uses and purposes to which the proceeds of sale of such bonds may be
14 applied, and the pledge or assignment of such proceeds to secure the payment of such bonds;

15 (c) Limitations on the issuance of additional parity bonds, the terms upon which additional
16 parity bonds may be issued and secured, and the refunding of outstanding bonds;

17 (d) The setting aside of reserves, sinking funds, and other funds and the regulation and
18 disposition thereof;

19 (e) The pledge or assignment of all or any part of the Revenues and of any other moneys or
20 assets legally available therefor and the use and disposition of such Revenues, moneys, and assets;

21 (f) Limitation on the use of Revenues for operations, administration, or other expenses of
22 the City;

23 (g) Investment of Revenues and the proceeds of bonds;
24
25

1 (h) Specification of the acts or omissions to act which shall constitute a default in the duties
2 of the City to holders of such bonds, and providing the rights and remedies of such holders in the event
3 of default, including any limitations on the right of action by individual bondholders;

4 (i) The appointment of a corporate trustee to act on behalf of the City and the holders of its
5 bonds, the pledge or assignment of loans, deeds of trust, mortgages, leases, subleases, sale contracts,
6 and any other contracts to such trustee, and the rights of such trustee;

7 (j) The procedure, if any, by which the terms of any contract with bondholders may be
8 amended or abrogated, the amount of such bonds the holders of which must consent thereto, and the
9 manner in which such consent may be given; and

10 (k) Any other provisions which the Board of Supervisors by ordinance may deem
11 reasonable and proper for the purposes of this Article XV and the security of the bondholders.

12
13 **SEC. 43.15.20. PLEDGE OF REVENUES, MONEY OR ASSETS; LIEN.**

14 Any pledge of Revenues or other moneys or assets pursuant to this Article XV shall be valid and
15 binding from the time such pledge is made. Revenues, moneys, and assets so pledged and thereafter
16 received by the City shall immediately be subject to the lien of such pledge without any physical
17 delivery thereof or further act; and the lien of any such pledge shall be valid and binding as against all
18 parties having claims of any kind in tort, contract, or otherwise against the City, irrespective of
19 whether such parties have notice thereof. Neither the ordinance, nor any indenture by which a pledge is
20 created need be filed or recorded except in the records of the Clerk of the Board of Supervisors.

21
22 **SEC. 43.15.21. NO PERSONAL LIABILITY.**

23 Neither the members of the Board of Supervisors, the officers or employees of the City, nor any
24 person executing any bonds shall be liable personally on the bonds or be subject to any personal
25 liability or accountability by reason of the issuance thereof.

1
2 **SEC. 43.15.22. PURCHASE OF BONDS BY CITY.**

3 *The City shall have the power out of any funds available therefor to purchase its bonds. The*
4 *City may hold, pledge, cancel, or resell such bonds, subject to and in accordance with agreements with*
5 *the bondholders.*
6

7 **SEC. 43.15.23. REFUNDING BONDS.**

8 *The City may issue bonds under this Article XV for the purpose of refunding any bonds then*
9 *outstanding.*
10

11 **SEC. 43.15.24. VALIDITY OF BONDS.**

12 *The validity of the authorization and issuance of any bonds is not dependent on and shall not be*
13 *affected in any way by any proceedings taken by the City for the approval of any financing or the*
14 *entering into of any agreement, or by the failure to provide financing or enter into any agreement, for*
15 *which bonds are authorized to be issued under this Article XV.*
16

17 **TITLE 4 - - SUPPLEMENTAL PROVISIONS**

18
19 **SEC. 43.15.25. LIBERAL CONSTRUCTION.**

20 *This Article XV, being necessary for the welfare of the City and its inhabitants, shall be liberally*
21 *construed to effect its purposes.*
22

23 **SEC. 43.15.26. OMISSIONS NOT TO AFFECT VALIDITY OF BONDS.**

24 *Any omission of any officer or the City in proceedings under this Article XV or any other defect*
25 *in the proceedings shall not invalidate such proceedings or the bonds issued pursuant to this Article.*

1
2 **SEC. 43.15.27. ARTICLE CONTROLLING.**

3 *To the extent that the provisions of this Article XV are inconsistent with the provisions of any*
4 *other ordinance, the provisions of this Article shall be deemed controlling.*

5
6 **SEC. 43.15.28. SEVERABILITY.**

7 *If any part of this Article XV or the application thereof to any person or circumstance is held*
8 *invalid by a court of competent jurisdiction, such invalidity shall not affect any other part or*
9 *application of this Article which can be given effect without the invalid part or application; and to this*
10 *end the provisions of this Article are declared to be severable. The Board of Supervisors hereby*
11 *declares that, regardless of such a holding, it would have adopted and passed this Article and each*
12 *title, section, subsection, sentence, clause, phrase, and word therein, and application thereof,*
13 *unaffected by such a holding.*

14
15 Section 3. Effective Date. This ordinance shall become effective 30 days after
16 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
17 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
18 of Supervisors overrides the Mayor's veto of the ordinance.

19
20 APPROVED AS TO FORM:
21 DAVID CHIU, City Attorney

22 By: /s/ KENNETH D. ROUX
23 KENNETH D. ROUX
 Deputy City Attorney

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25

REVISED LEGISLATIVE DIGEST
(Amended in Committee, 7/10/2024)

[Administrative Code - Workforce Housing and Affordable Middle-Income Revenue Bonds]

Ordinance amending the Administrative Code to permit the issuance of bonds to finance the acquisition, development, rehabilitation, or construction of middle-income and workforce housing, and to establish ownership, tenancy, affordability, and program requirements.

Existing Law

Under the Administrative Code and Section 142(d) of the Internal Revenue Code of 1986, the City may issue revenue bonds to finance affordable housing for very low-income and low-income households.

Amendments to Current Law

This ordinance authorizes the City to issue revenue bonds pursuant to Sections 103 and 145 of the Internal Revenue Code of 1986, to finance housing affordable to workforce and moderate-income households. The ordinance also establishes ownership, tenancy, affordability, and program requirements.

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“The Housing We Need Act”

Workforce
Housing and
Affordable
Middle-
Income Revenue Bonds



AARON PESKIN
市參事佩斯金

Our Housing Market is Broken



- Cyclical
- Builds only at **high rents**

- *Only 1,801 units were proposed in 2023, none were disapproved*

Total PROPOSED Units by Project
1801

Financing is the key obstacle to affordable housing

- RNHA demands 46,000 affordable units with no funding
 - SF has led the nation in local sources of low-income housing funding
 - Revenue bonds are untapped potential to expand affordable housing funding
-

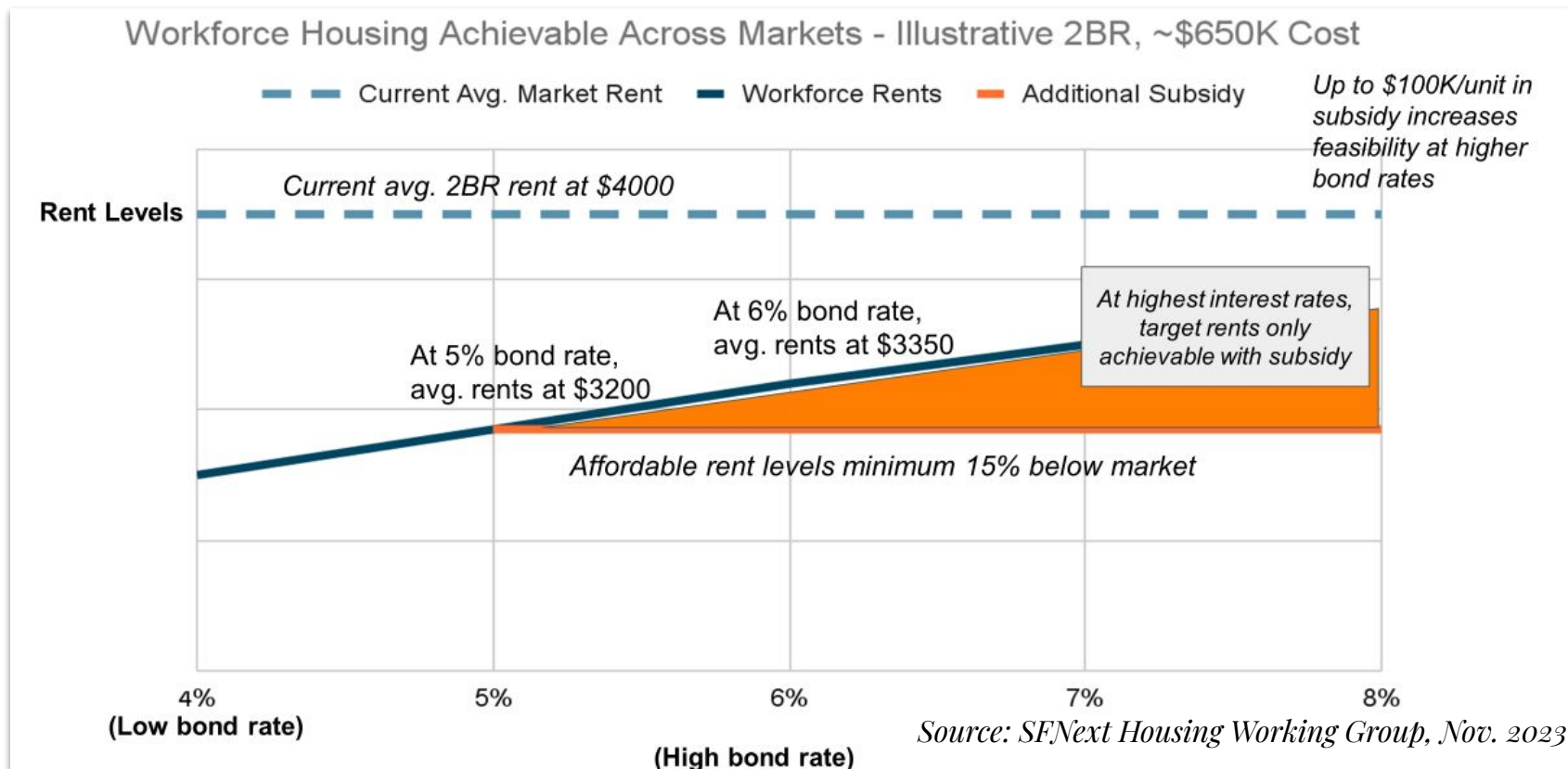
Housing Our Workers

- Many San Francisco workers make too much to qualify for low-income housing but not enough for market rate
- This includes **critical occupations** like educators, healthcare workers, first responders, and artists.
- Achieving a **jobs-housing fit** is a matter of public safety, emergency response, and climate justice / emissions reduction



*SF Planning,
Affordable Housing
Strategies Report,
2020*

Revenue Bonds Can Fund Middle-Income Workforce Housing



Types of tax-exempt bonds authorized

Governmental purpose bond

- Commonly used for city buildings and infrastructure projects, but can be used for housing
- Property is publicly-owned and tax exempt
- Developed and managed by non-profit or for-profit developer

501c3 bond

- Property owned by non-profit to further its charitable purpose to “lessen the burdens of government”
- Bond proceeds loaned to non-profit developer / owner
- Property tax exempt on units up to 80% AMI

Affordability and Streamlined Access

- **Streamlines and simplifies process to access to affordable units**
 - Limits documentation required
 - Shortens application timeline
 - Limits income recertification to every five years, providing housing stability
 - Sup. Peskin is engaged with parallel efforts to streamline BMR access
- **Affordability parameters:** Project rents can be set up 120% AMI, up to average of 100% AMI, and 15% below market rate
- **Restricts rent increases.** After initial income certification, rent increases are capped to the lesser of annual increases in AMI or up to 4%

Potential Project Types

60,000 units,
fully-entitled
pipeline projects

Office to Housing
Conversion

Distressed Assets

Workforce housing



BOARD of SUPERVISORS



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MEMORANDUM

TO: Daniel Adams, Director, Mayor's Office of Housing and Community Development
Christina Varner, Executive Director, Rent Board
Greg Wagner, City Controller, Office of the Controller
Dennis Herrera, General Manager, Public Utilities Commission
Tom Paulino, Liaison to the Board of Supervisors, Mayor's Office

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: July 1, 2024

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Supervisor Aaron Peskin:

File No. 240726

Ordinance amending the Administrative Code to permit the issuance of bonds to finance the acquisition, development, rehabilitation, or construction of middle-income and workforce housing, and to establish ownership, tenancy, affordability, and program requirements.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Lydia Ely, Mayor's Office of Housing and Community Development
Brian Cheu, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development
Masood Ordikhani, Public Utilities Commission
Jeremy Spitz, Public Utilities Commission
Donna Hood, Public Utilities Commission
Andres Power, Mayor's Office

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

I hereby submit the following item for introduction (select only one):

- ☐ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)
(Routine, non-controversial and/or commendatory matters only)
- ☐ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor inquires..."
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No.
- ☐ 9. Reactivate File No.
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- ☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission
- ☐ Planning Commission ☐ Building Inspection Commission ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- ☐ Yes ☐ No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Subject:

Long Title or text listed:

Signature of Sponsoring Supervisor: