

REVISED LEGISLATIVE DIGEST

(4/23/2024, Amended in Board)

[Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs]

Ordinance amending the Administrative Code to provide that the general obligation bond passthrough from landlords to tenants shall be calculated based on the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date or 2005, whichever is later; and to allow tenants to seek relief from general obligation bond passthroughs based on financial hardship.

Existing Law

The Rent Ordinance limits rent increases on residential tenants, but allows landlords to “pass through” to their tenants a portion of the change in the property taxes that is the result of the repayment of certain categories of general obligation bonds (“Eligible Bonds”). Specifically, landlords can pass through 100% of the change in property tax resulting from bonds issued by the City between 1996-98; 50% of the change resulting from bonds issued by the City after 2002; and 50% of the change resulting from bonds issued by the San Francisco Unified School District or the San Francisco Community College District after 2006. The Controller calculates a Citywide passthrough rate each year, based on the amount of the property tax rate in that year that is attributable to Eligible Bonds. Landlords can use the passthrough rate to determine the amount of property tax costs they can pass through to their tenants.

A tenant who has received a passthrough may file a financial hardship application with the Rent Board as to that part of the passthrough that is attributable to Eligible Bonds approved on or after November 5, 2019.

Amendments to Current Law

The ordinance would modify how the Controller calculates the tenant passthrough rates. Rather than use a standard passthrough rate for all tenants based on the aggregate cost of the Eligible Bonds under repayment, landlords would identify a specific passthrough rate for each tenant. Each tenant's passthrough rate would be based on a comparison of how much the portion of the property tax rate that pays for general obligation bonds of the three bond-issuing entities (the “General Obligation Bond Factor”) had increased between the current year, and the year that tenant moved into the unit or 2005, whichever is later (“the Base Year”). If the current year's General Obligation Bond Factor was not higher than it was in the tenant's Base Year, then there would be no increase to pass through to that tenant. But if the General Obligation Bond Factor had increased since the tenant's Base Year, the landlord could pass through to that tenant the portion of the increase that was attributable to Eligible Bonds, in the specific percentages authorized for each of the different categories of Eligible Bonds. The Controller would prepare and annually update a form to help landlords and

tenants calculate the tenant passthrough rates. These changes would take effect on July 1, 2024, and would not affect prior years' passthroughs.

Also, the ordinance would allow tenants to seek relief based on financial hardship as to passthroughs associated with all Eligible Bonds, not just Eligible Bonds issued on or after November 5, 2019.

Background

On April 15, 2024, the ordinance was amended in committee to clarify that passthroughs are intended to be pursuant to Chapter 37. On April 23, 2024, the ordinance was amended to eliminate a proposed reporting requirement.

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