

File No. 120669

Committee Item No. 6

Board Item No. 10

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development Date June 3, 2013

Board of Supervisors Meeting Date June 18, 2013

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Environmental Review Determinations, dtd 1/4/13 & 4/17/13</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Economic Impact Report, dtd 4/2/13</u> |
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Completed by: Alisa Miller Date May 31, 2013
Completed by: Alisa Miller Date June 6, 2013

1 [Subdivision Code - Condominium Conversion Impact Fee]

2

3 Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a
4 condominium conversion ~~impact~~-fee applicable to certain buildings qualifying for
5 ~~participating but not being selected or participating in the 2013 or 2012 condominium~~
6 ~~conversion lottery only~~ that would be permitted to convert during a sixseven year
7 period, and subject to specified requirements, including lifetime leases for non-
8 purchasing tenants; adding Section 1396.5, to suspend the annual condominium
9 conversion lottery until 2024 and resume said lottery under specified circumstances
10 tied to permanently affordable rental housing production; amending Section 1396, to
11 restrict future condominium lotteries to buildings of no more than four units with a
12 specified number of owner occupied units for three years prior to the lottery and
13 provide an exception for certain five- and six-unit buildings to participate in the lottery;
14 and adopting environmental findings.

15 NOTE: Additions are *single-underline italics Times New Roman*;
16 deletions are *strike-through italics Times New Roman*.
17 Board amendment additions are double-underlined;
18 Board amendment deletions are ~~strikethrough-normal~~.

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

20 Section 1. Findings. (a) The Planning Department has determined that the actions
21 contemplated in this Ordinance are in compliance with the California Environmental Quality
22 Act (California Public Resources Code sections 21000 et seq.). Said determination is on file
23 with the Clerk of the Board of Supervisors in File No. 120669 and is incorporated herein by
24 reference.
25

1 (b) This Board finds that the condominium conversion impact fee as set forth in this
2 legislation is an appropriate charge imposed as a condition of property development, which in
3 this case is the City's approval of a condominium conversion subdivision, a discretionary
4 development approval pursuant to the San Francisco Subdivision Code and the California
5 Subdivision Map Act. Based on data, information, and analysis in a Condominium Conversion
6 Nexus Analysis report prepared by Keyser Marston Associates, Inc., dated January 2011, and
7 the findings of Planning Code Section 415.1 concerning the City's inclusionary affordable
8 housing program, this Board finds and determines that there is ample evidentiary support to
9 charge the impact fee set forth herein as it relates to a subdivision map approval that allows
10 the conversion of existing dwelling units into condominiums. Said impact fee charge also is
11 lower than the fee amount supported in the abovementioned Nexus Analysis report. As a
12 consequence the Board finds that the amount of this charge is no more than necessary to
13 cover the reasonable costs of the governmental activity and programs related to condominium
14 conversion. The Board further finds and determines, that based on this evidence, the manner
15 in which these fees are this charge is allocated and assessed on a per unit cost for each unit
16 converted to a condominium bears a reasonable relationship to the subdivision applicants'
17 burdens on the City that result from the change in use and ownership status from a dwelling
18 unit within an unsubdivided property to a separate interest in a condominium unit. A copy of
19 the report on the fee charge identified herein is in Clerk of the Board of Supervisors File No.
20 120669 and is incorporated herein by reference. The City Controller's Office has
21 independently confirmed that the fee amounts identified in said report remain valid. This
22 determination is on file with the Clerk of the Board of Supervisors File No. 120669 and is
23 incorporated herein by reference.

24 (c)(1) The Board further finds that the present backlog of existing applications for
25 condominium conversion under the existing 200-unit annual condominium conversion lottery

1 process in Subdivision Code Article 9 (Conversions) extends well over a decade. Indicative of
2 this backlog, approximately 700 tenancy-in-common (TIC) and other owner-occupied
3 buildings, containing 2,269 dwelling units, registered for the 2013 lottery condominium
4 conversion lottery in an effort to be selected for the 200 units that were available. The
5 proposed expedited approval process for condominium conversions (the "Expedited
6 Conversion program") is intended as a one time adjustment to the backlog in applications for
7 conversions given the specific needs of existing owners of tenancy-in-common units.
8 Therefore, the eExpedited eConversion program set forth in this legislation's proposed
9 Section 1396.4 is intended as the exclusive method for allocating approvals for conversions of
10 apartments and tenancy-in-common buildings into condominiums for the entire period that is
11 established in the proposed Section 1396.5.

12 (2) The Expedited Conversion program that this Ordinance creates will bring
13 significant economic value to owners who utilize it. According to the City Controller's April 2,
14 2013 Economic Impact Report, condominium conversion "creates clear financial advantages
15 for owners of tenancies-in-common (TIC) buildings." In addition to the estimated 15%
16 premium gained by converting a TIC to a condominium, as projected in the Keyser Marston
17 Associates 2011 Nexus Analysis, the Controller's report notes that because State law does
18 not otherwise allow rent limitations on condominiums after the subdivider sells them, future
19 owners of these converted condominiums after the rental limitation period terminates "have
20 the opportunity for greater rental income than owners of TIC units, the vast majority of which
21 are subject to rent control."

22 (3) Due to the present backlog of existing applications, the Office of the Controller
23 estimates that owners of 1,730 of the units not selected in the 2013 lottery would pay the
24 impact feecondominium conversion charge and avail themselves of the seven-year
25 eExpedited eConversion program. The program also permits TICs that did not enter the 2012

1 and 2013 lottery to convert, which could result in more than 1,730 dwelling units taking
2 advantage of the eExpedited eConversion program. The number of conversions is therefore
3 anticipated to be well in excess of the 200 unit per year allotment in the existing lottery. The
4 Ordinance balances the number of units converted under this program in a relatively short
5 period of time by suspending the lottery until the City's affordable housing production replaces
6 the number of units converted under the eExpedited eConversion program. The maximum
7 number of years of suspension of the lottery will be the number of converted units divided by
8 200. Therefore, under the suspension, there will be no net loss of the number of converted
9 units over time as compared to the existing lottery. Conversions of apartments to
10 condominiums also results in the eviction of existing tenants in the converted buildings
11 because many tenants cannot afford to purchase their units. A large number of conversions
12 under the eExpedited eConversion program would magnify this impact and result in a large
13 number of tenants evicted into a very expensive rental housing market. The Office of the
14 Controller estimates that tenants of these converted properties would likely spend between
15 \$0.8 and \$1.1 million annually in higher rent alone due to displacement and/or rent decontrol.
16 Therefore, the Ordinance balances this impact on existing tenants and the effects of tenant
17 displacement on the City in general by requiring that applicants for the Expedited Conversion
18 program offer existing tenants a lifetime lease. The abovementioned Controller's report is on
19 file with the Clerk of the Board of Supervisors in File No. 120669 and is incorporated herein by
20 reference.

21 (3)(4) In addition, this legislation attempts to integrate this process with the adoption of
22 additional controls on future conversions. This legislation does not intend to affect in any way
23 the conversion of 100% owner-occupied two-unit buildings in accordance with the terms of
24 Subdivision Code Section 1359.

1 (d) As set forth in the Housing Element of the General Plan, in particular Objective 3, it
2 is the City's policy to preserve the existing supply of rent controlled housing and to increase
3 the production of new affordable rental units. Policy 3.1 states that is the City's policy to
4 "[p]reserve rental units, especially rent controlled units, to meet the City's affordable housing
5 needs." Policy 4.4 states it is the City's policy to "[e]ncourage sufficient and suitable rental
6 housing opportunities, emphasizing permanently affordable rental units wherever possible."
7 And, Policy 9.2 provides that it is city policy to "[c]ontinue prioritization of preservation of
8 existing affordable housing as the most effective means of providing affordable housing."
9 Therefore, the conversion of rental housing into condominiums, without replacement, results
10 in the loss of existing rent controlled housing contrary to public policy.

11 (e) In 2012, the voters of the City of San Francisco approved Proposition C that
12 proposed in part to fund and produce 930,000 affordable rental housing units over thirty years,
13 establishing an annual baseline production of approximately 300 net new affordable housing
14 units. The Board determines that this legislation is compatible with the goals of Proposition C
15 and resumption of the condominium conversion lottery is properly benchmarked in
16 relationship to new affordable housing production as contemplated in Proposition C. Further,
17 the Board finds that Proposition C's limitations on new affordable housing fees were intended
18 to apply to fees on new residential construction projects and not to the condominium
19 conversion charges set forth in this Ordinance which would be imposed only on existing
20 residential buildings that obtain a condominium subdivision and involve no net increase in new
21 housing units.

22 (f) It is the further intent of this legislation to suspend future conversions of rental
23 housing pending the one for one replacement of units converted through the eExpedited
24 eConversion program beyond the City's net new annual baseline production and to provide
25 additional protections to tenants in buildings to be converted as specified above.

1 (g) The Board finds that the rate of TIC creation and demand for condominium
2 conversions to date has far exceeded the rate of allowable conversions under existing law.
3 The Board also finds that the unsustainable growth of the TIC form of ownership poses
4 challenges and adverse consequences for which many consumers are unprepared and that
5 those challenges are greater for larger building sizes. However, increasing the number of
6 allowable conversions would impose a burden on the City's capacity to develop sufficient
7 replacement rental housing units and to assist displaced tenants. Therefore, it is the intent of
8 this legislation to re-establish the condominium lottery conversion process on a more
9 sustainable basis following the restart of the lottery and to encourage long-term ownership in
10 smaller buildings.

11 Section 2. The San Francisco Subdivision Code is hereby amended by adding
12 Sections 1396.4 and 1396.5, to read as follows:

13 SEC. 1396.4. CONDOMINIUM CONVERSION IMPACT FEE AND EXPEDITED
14 CONVERSION PROGRAM.

15 (a) Findings. The findings of Planning Code Section 415.1 concerning the City's inclusionary
16 affordable housing program are incorporated herein by reference and support the basis for charging
17 the fee set forth herein as it relates to the conversion of dwelling units into condominiums.

18 (b) Any building that: (1) participated in the 2013 or 2012 condominium conversion
19 lottery, but was not selected for conversion or (2) could have participated in the 2013
20 condominium conversion lottery, but elected not to do so, may bypass be exempted from the
21 annual lottery provisions of Section 1396 (the annual lottery conversion limitation) if the building
22 owners for said building comply with Section 1396.3(g)(1) and pay the condominium conversion
23 impact fee subject to the all the requirements of this Section 1396.4. In addition Notwithstanding
24 the foregoing, no property or applicant subject to any of the prohibition on conversions set
25 forth in Section 1396.2(e), in particular a property with the eviction(s) set forth in Section

1 1396.2(b). is eligible for said bypass the eExpedited eConversion processprogram under this
2 Section 1396.4. Eligible buildings as set forth in this Section (b) may exercise their option to
3 participate in this fee program according to the following requirements:

4 ~~(c) Eligible buildings as set forth in Subsection (b) may exercise their option to~~
5 ~~participate in this fee program according to the following requirements:~~

6 ~~———— (1) The applicant(s) for the subject building shall pay the fee specified in~~
7 ~~Subsection (c) no later than January 24, 2014 for the entire building.~~

8 ~~———— (2) No later than the last business day before July 25, 2014:~~

9 ~~———— (i) DPW shall determined that the applicant's condominium conversion~~
10 ~~subdivision application is complete, or~~

11 ~~———— (ii) The application is deemed complete by operation of law.~~

12 ~~———— (3) The applicant shall obtain final and effective tentative approval of the~~
13 ~~condominium subdivision or parcel map no later than December 31, 2014.~~

14 ~~———— (4) Any map application subject to a required public hearing on the subdivision~~
15 ~~or a subdivision appeal shall have the time limit set forth in Subsection (c)(3) suspended until~~
16 ~~March 13, 2015.~~

17 ~~———— (5) The Director of the Department of Public Works is authorized to waive the~~
18 ~~time limit set forth in Subsection (c)(3) as it applies to a particular building due to extenuating~~
19 ~~or unique circumstances. Such waiver may be granted only after a public hearing and in no~~
20 ~~case shall the time limit extend beyond July 24, 2015.~~

21 (1) Any building that participated in but was not selected for the 2012 or 2013
22 condominium conversion lottery consisting of (a) four units or less in which one unit has been
23 continuously occupied continuously by one of the applicant owners of record for no less than
24 five years prior to April 15, 2013, or (b) buildings consisting of five or six units in which 50
25 percent or more of the units have been continuously occupied continuously by the applicant

1 owners of record for no less than five years as of April 15, 2013, is eligible for conversion
2 under this Subsection. The applicant(s) for the subject building seeking to convert under this
3 Subsection shall pay the fee specified in Subsection (e) no later than January 24 April 14,
4 2014 for the entire building along with additional information as the Department may require
5 including certification of continued eligibility; however, the deadline for an applicant to pay the
6 fee may be extended pursuant to (j)(3) of this Section.

7 (2) Any building that participated in but was not selected for the 2012 or 2013
8 condominium conversion lottery consisting of (a) four units or less in which one unit has been
9 continuously-occupied continuously by one of the applicant owners of record for no less than
10 three years prior to April 15, 2014, or (b) buildings consisting of five or six units in which 50
11 percent or more of the units have been continuously-occupied continuously by the applicant
12 owners of record for no less than three years as of April 15, 2014, is eligible for conversion
13 under this Subsection. The applicant(s) for the subject building may apply for conversion
14 under this Subsection on or after April 15, 2014 and shall pay the fee specified in Subsection
15 (e) no later than January 23, 2015 along with additional information as the Department may
16 require including certification of continued eligibility; however, the deadline for an applicant to
17 pay the fee may be extended pursuant to (j)(3) of this Section.

18 (3) For Additionally Qualified Buildings consisting of (a) four units or less in which one
19 unit has been continuously-occupied continuously by one of the applicant owners of record for
20 no less than six years as of April 15, 2015 or (b) buildings consisting of five or six units in
21 which 50 percent or more of the units have been continuously-occupied continuously by the
22 applicant owners of record for no less than six years as of April 15, 2015, the applicant(s) for
23 the subject building may apply for conversion under this Subsection on or after April 15, 2015
24 and shall pay the fee specified in Subsection (e) no later than January 22, 2016 along with
25

1 additional information as the Department may require including certification of continued
2 eligibility.

3 (4) For Additionally Qualified Buildings consisting of (a) four units or less in which one
4 unit has been continuously occupied continuously by one of the applicant owners of record for
5 no less than six years as of April 15, 2016, or (b) buildings consisting of five or six units in
6 which 50 percent or more of the units have been continuously occupied continuously by the
7 applicant owners of record for no less than six years as of April 15, 2016, the applicant(s) for
8 the subject building may apply for conversion under this Subsection on or after April 15, 2016
9 and shall pay the fee specified in Subsection (e) no later than January 20, 2017 along with
10 additional information as the Department may require including certification of continued
11 eligibility.

12 (5) For Additionally Qualified Buildings consisting of (a) four units or less in which one
13 unit has been continuously occupied continuously by one of the applicant owners of record for
14 no less than six years as of April 15, 2017, or (b) buildings consisting of five or six units in
15 which 50 percent or more of the units have been continuously occupied continuously by the
16 applicant owners of record for no less than six years as of April 15, 2017, the applicant(s) for
17 the subject building may apply for conversion under this Subsection on or after April 15, 2017
18 and shall pay the fee specified in Subsection (e) no later than January 19, 2018 along with
19 additional information as the Department may require including certification of continued
20 eligibility.

21 (6) For Additionally Qualified Buildings consisting of (a) four units or less in which one
22 unit has been continuously occupied continuously by one of the applicant owners of record for
23 no less than six years prior to April 15, 2018, or (b) buildings consisting of five or six units in
24 which 50 percent or more of the units have been continuously occupied continuously by the
25 applicant owners of record for no less than six years as of April 15, 2018, the applicant(s) for

1 the subject building may apply for conversion under this Subsection on or after April 15, 2018
2 and shall pay the fee specified in Subsection (e) no later than January 25, 2019 along with
3 additional information as the Department may require including certification of continued
4 eligibility.

5 (7) For Additionally Qualified Buildings consisting of (a) four units or less in which one
6 unit has been occupied continuously by one owner of record for no less than six years prior to
7 April 15, 2019, or (b) buildings consisting of five or six units in which 50 percent or more of the
8 units have been occupied continuously by owners of record for no less than six years as of
9 April 15, 2019, the applicant(s) for the subject building may apply for conversion under this
10 Subsection on or after April 15, 2019 and shall pay the fee specified in Subsection (e) no later
11 than January 24, 2020 along with additional information as the Department may require
12 including certification of continued eligibility. An Additionally Qualified Building subject to
13 Subsection 9(A) shall be eligible to convert pursuant to this Subsection as long as there is
14 fully executed written agreement in which the owners each have an exclusive right of
15 occupancy to individual units in the building to the exclusion of the owners of the other units
16 and 50 percent or more of the units have been occupied continuously by owners of record for
17 no less than six years as of January 24, 2020.

18 (8) For applications for conversion pursuant to Subsections (3)-(7) only, a unit that is
19 "occupied continuously" shall be defined as a unit occupied continuously by an owner of
20 record for the six year period without an interruption of occupancy and so long as the
21 applicant owner(s) occupied the subject unit as his/her principal place of residence for no less
22 than one year prior to the time of application. Notwithstanding the occupancy requirements
23 set forth above, each building may have one unit where there is an interruption in occupancy
24 for no more than a three month period that is incident to the sale or transfer to a subsequent
25 owner of record who occupied the same unit. For any unit with an interruption of occupancy,

1 the applicant shall provide evidence to establish to the satisfaction of the Department that the
2 period did not exceed three months.

3 (9) An "Additionally Qualified Building" within the meaning of this Section is defined as
4 a building in which the initially eligible applicant owners of record have a fully executed written
5 agreement as of April 15, 2013 in which the owners each have an exclusive right of
6 occupancy to individual units in the building to the exclusion of the owners of the other units;
7 provided, however, that said agreement can be amended to include new applicant owner(s) of
8 record as long as the new owner(s) satisfy the requirements of Subsection (8) above. In
9 addition to the requirements listed in this Subsection (8), an Additionally Qualified Building
10 also includes a five or six unit building that: (A) on April 15, 2013, had 50 percent or more of
11 the units in escrow for sale as a tenancy-in-common where each buyer shall have an
12 exclusive right of occupancy to an individual unit in the building to the exclusion of the owners
13 of other units or (B) is subject to the requirements of Section 1396.2(f) and 50 percent or more
14 of the units have been occupied continuously by owners of record for no less than ten years
15 prior to the date of application as set forth in Subsections (3)-(7).

16 (6) (7) (8) (10) The In addition to all other provisions of this Section, the applicant(s)
17 must meet the following requirements applicable to Subdivision Code Article 9, Conversions:
18 Sections 1381, 1382, 1383, 1386, 1387, 1388, 1389, 1390, 1391(a) and (b), 1392, 1393, 1394,
19 and 1395. In addition Also, the applicant(s) must certify that to the extent any tenant vacates
20 his or her unit after March 31, 2013 and before recordation of the final parcel or subdivision
21 map, such tenant did so voluntarily or if an eviction or eviction notice occurred it was not
22 pursuant to Administrative Code Sections 37.9(a)(8)-(14). If an eviction has taken placed
23 under 37.9(a)(11) or 37.9(a)(14) then the applicant(s) shall certify that the original tenant
24 reoccupied the unit after the temporary eviction.

1 (11) If the Department finds that a violation of this Section occurred prior to recordation
2 of the final map or final parcel map, the Department shall disapprove the application or subject
3 map. If the Department finds that a violation of this Section occurred after recordation of the
4 final map or parcel map, the Department shall take such actions as are available and within its
5 authority to address the violation.

6 (c) Decisions and Hearing on the Application.

7 (1) The applicant shall obtain a final and effective tentative map or tentative parcel
8 map approval for the condominium subdivision or parcel map within one (1) year of paying the
9 fee specified in Subsection (e).

10 (2) No less than twenty (20) days prior to the Department's proposed decision on a
11 tentative map or tentative parcel map, the Department shall publish the addresses of building
12 being considered for approval and post such information on its website. During this time, any
13 interested party may file a written objection to an application and submit information to
14 DPW/the Department contesting the eligibility of a building. In addition, the Department may
15 elect to hold a public hearing on said tentative map or tentative parcel map to consider the
16 information presented by the public, other City department, or an applicant. If the Department
17 elects to hold such a hearing it shall post notice of such hearing and provide written notice to
18 the applicant, all tenants of such building, any member of the public who submitted
19 information to the Department, and any interested party who has requested such notice. In
20 the event that an objection to the conversion application is filed in accordance with this
21 Subsection, and based upon all the facts available to the Department, the Department shall
22 approve, conditionally approve, or disapprove an application and state the reasons in support
23 of that decision.

1 (3) Any map application subject to a Departmental public hearing on the subdivision or
2 a subdivision appeal shall have the time limit set forth in this Subsection (c)(1) extended for
3 another six (6) months.

4 (4) The Director of the Department of Public Works is authorized to waive the time
5 limits set forth in this Subsection (c)(1) as it applies to a particular building due to extenuating
6 or unique circumstances. Such waiver may be granted only after a public hearing and in no
7 case shall the time limit extend beyond two (2) years after submission of the application.

8 (d) Should the subdivision application be denied or be rejected as untimely in accordance with
9 the dates specified above, or the tentative subdivision map or tentative parcel map disapproved, DPW
10 the City shall refund the entirety of the applicant's fee specified in Subsection (e).

11 (e) The fee amount is \$20,000.00 per unit for all buildings that participated in the lottery for
12 the first time in 2013 or seek to convert under Subsection (b)(1)-(6)(7). Said fee shall be
13 adjusted annually in accordance with the terms of Section 1315(f). Said fee is reduced for each
14 year the building has participated in the condominium conversion lottery up to and including the 2013
15 lottery in accordance with the following formula:

16 (1) 2 years of participation, 20% fee reduction per unit;

17 (2) 3 years of participation, 40% fee reduction per unit;

18 (3) 4 years of participation, 60% fee reduction per unit; and

19 (4) 5 or more years of participation, 80% fee reduction per unit.

20 (f) For purposes of Section (e), a building's owner(s) shall get credit only for those years that
21 he or she participated in the lottery even though such building could have qualified for and
22 participated in other condominium conversion lotteries.

23 (g) Life Time Lease for Non-purchasing Tenants.

24 (1) No subdivider or subsequent condominium unit owner shall refuse to renew a lease
25 or extend a rental agreement to any Any application for conversion under this Section shall

1 include a certification under penalty of perjury by the applicants that all any non-purchasing
2 tenant(s) in the building have been offered has been given a written offer to enter into a life
3 time lease in the form and with the provisions published and prescribed by DPW the
4 Department in consultation with the Rent Board. Such written offer for a life time lease shall
5 be executed by the owners of the building(s) and recorded prior to at the time of Final Map or
6 Parcel Map approval. Any extended Any life time leases or rental agreements made pursuant
7 hereto shall expire only upon the death or demise of the last such life-tenant residing in the unit or
8 the last surviving member of the life-tenant's household, provided such surviving member is related to
9 the life-tenant by blood, marriage, or domestic partnership, and is either disabled, catastrophically
10 ill, or aged 62 or older at the time of death or demise of any such life-tenant, or at such time as the life-
11 tenant(s) in the unit voluntarily vacates the unit after giving due notice of such intent to vacate.

12 (2) (A) Each lease shall contain a provision allowing the tenant to terminate the lease and
13 vacate the unit upon 30 days' notice. Rent and a provision that rent charged during the term of any
14 extended the lease or rental agreement pursuant to the provisions of this Section shall not
15 exceed the rent charged at the time of filing of the application for conversion, plus any increases
16 proportionate to the increases in the residential rent component of the "Bay Area Cost of Living Index,
17 U.S. Dept. of Labor," provided that the rental increase provisions of this Section shall be operative only
18 in the absence of other applicable rent increase or arbitration laws. This Section

19 (B) The lease also shall state that it shall not alter or abridge the rights or
20 obligations of the parties in performance of their covenants, including but not limited to the provision
21 of services, payment of rent or the obligations imposed by Sections 1941, 1941.1, and 1941.2, 1941.3,
22 and 1941.4 of the California Civil Code. There and that there shall be no decrease in dwelling unit
23 maintenance or other services historically provided to such units and such life-tenants. A binding and
24 recorded agreement The provision of a lifetime lease pursuant to this Subsection shall be a
25 condition imposed on each tentative parcel or tentative subdivision map subject to this

1 Subsection 1396.4(g). ~~Binding and recorded agreements between the tenant(s) and the~~
2 ~~property owner(s) and between the City and the property owner(s) concerning this~~
3 ~~requirement shall be a tentative map condition imposed on each parcel or subdivision map~~
4 ~~subject to this Subsection 1396.4(g).~~

5 (C) The lease shall also include the following language:

6 Tenant agrees that this Lease shall be subject and subordinate at all times to (i) all
7 ground leases or underlying leases that may now exist or hereafter be executed affecting the
8 Real Property or any portion thereof; (ii) the lien of any mortgage, deed of trust, assignment of
9 rents and leases or other security instrument (and any advances thereunder) that may now
10 exist or hereafter be executed in any amount for which the Real Property or any portion
11 thereof, any ground leases or underlying leases or Landlord's interest or estate therein, is
12 specified as security; and (iii) all modifications, renewals, supplements, consolidations and
13 replacements thereof, provided in all cases the mortgagees or beneficiaries named in
14 mortgages or deeds of trust hereafter executed or the assignee of any assignment of rents
15 and leases hereafter executed to recognize the interest and not disturb the possession, use
16 and enjoyment of Tenant under this Lease, and, in the event of foreclosure or default, the
17 lease will continue in full force and effect by operation of San Francisco Administrative Code
18 Chapter 37, Section 37.9D, and the conditions imposed on each parcel or subdivision map
19 pursuant to Section 1396.4(g), as long as Tenant is not in default under the terms and
20 conditions of this Lease. Tenant agrees to execute and deliver, upon demand by Landlord and
21 in the form requested by Landlord, any additional reasonable documents evidencing the
22 priority or subordination of this Lease with respect to any such ground leases, underlying
23 leases, mortgages, deeds of trust, assignment of rents and leases or other security
24 instruments. Subject to the foregoing, Tenant agrees that Tenant shall be bound by, and
25

1 required to comply with, the provisions of any assignment of rents and leases with respect to
2 the Building.

3 (3) The Department shall impose the following tentative map conditions on each parcel
4 and subdivision map subject to this Subsection 1396.4(g) and require that the conditions be
5 satisfied prior to Final Subdivision Map or Parcel Map approval: (A) the property owner(s) of
6 the building provide a written offer for a life time lease pursuant to this Subsection to the
7 tenant(s) in the building and record such offer against the building's title. (B) at the time the
8 tenant(s) accepts the life time lease offer, and even if such acceptance occurs after map
9 approval, a binding agreement between the tenant(s) and the property owner(s) shall be
10 executed and recorded against the property's title, and (C) a binding agreement between the
11 City and the property owner(s) concerning the requirements of this Subsection be recorded
12 against the property's title. For purposes of this Subsection, the Board of Supervisors
13 delegates authority to the DPW Director, in consultation with the Mayor's Office of Housing, to
14 enter in said agreement on behalf of the City and County of San Francisco.

15 (2)(4) If the owner(s) of a building subject to the life time lease provisions of this
16 Section 1396.4(g) enters into any contract or option to sell or transfer any unit that would be
17 subject to the lifetime lease requirements or any interest in any unit in the building that would
18 be subject to the lifetime lease requirements at any time between the initial application and
19 recording of the final subdivision map or parcel map, said contract or option shall be subject to
20 the following conditions: (a) the contract or option shall include written notice that the unit shall
21 be subject to the life time lease requirements of Subdivision Code Section 1396.4(g). (b) prior
22 to final execution of any such contract or option, the owner(s) shall record a notice of
23 restrictions against the property that specifically identifies the unit potentially subject to the life
24 time lease requirements and specifies the requirements of the life time lease as set forth in
25 Section 1396.4(g)(1), and (c) the recorded notice of restrictions shall be included as a note on

1 the final subdivision map or parcel map. Prior to approval of a final subdivision map or parcel
2 map, the applicant(s) shall certify under penalty of perjury to the Department that he, she, or
3 they have complied with the terms of this Subsection as it applies to a building. Failure to
4 provide this certification from every current owner of a building shall result in disapproval of
5 the map. The content of the notices and certifications required by this Subsection shall
6 comply with the instructions and procedures developed by the Department.

7 (h) In recognition of the rental requirements of Section (g), the fee for each unit in which a
8 non-purchasing tenant resides at the time specified in Section (g) who is offered a life time lease
9 and is unrelated by blood, marriage, or domestic partnership to any owner of the building shall
10 be refunded to the subdivider under the following formula:

11 (1) One unit, 10% fee reduction for such unit;

12 (2) Two units, 20% fee reduction for each unit;

13 (3) Three units, 30% fee reduction for each unit.

14 (i) Upon confirmation of compliance with the rental requirement, DPW or the City
15 department in possession of the fee revenue shall refund the amount specified in Section (h) to the
16 subdivider and have all remaining fee revenues transferred, in the following percentage allocations:
17 25% to the Citywide Affordable Housing Fund Mayor's Office Home Ownership Assistance
18 Loan Fund City's Housing Stabilization Mayor's Office of Housing's program for small site
19 acquisition to purchase market rate housing and convert it to affordable housing and 75% to
20 the Citywide Affordable Housing Fund for the purpose of creating or preserving expanding
21 affordable housing opportunities for affordable to low or moderate income households in San
22 Francisco, including, but not limited to, expanding public housing opportunities.

23 (j) Waiver or reduction of fee based on absence of reasonable relationship or deferred
24 payment based upon limited means.

1 (1) A project applicant of any project subject to the requirements in this Section may appeal to
2 the Board of Supervisors for a reduction, adjustment, or waiver of the requirements based upon the
3 absence of any reasonable relationship or nexus between the impact of development and the amount of
4 the fee charged or for the reasons set forth in Subsection (2) below, a project applicant may request a
5 waiver from the Board of Supervisors.

6 (2) Any appeal of waiver requests under this clause shall be made in writing and filed with the
7 Clerk of the Board no later than 15 days after the date the sponsor is required to pay and has paid to
8 the Treasurer the fee as required in this Section. The appeal shall set forth in detail the factual and
9 legal basis for the claim of waiver, reduction, or adjustment. The Board of Supervisors shall consider
10 the appeal at the hearing within 60 days after the filing of the appeal. The appellant shall bear the
11 burden of presenting substantial evidence to support the appeal, including comparable technical
12 information to support appellant's position. If a reduction, adjustment, or waiver is granted, any
13 change of use or scope of the project shall invalidate the waiver, adjustment or reduction of the fee. If
14 the Board grants a reduction, adjustment or waiver, the Clerk of the Board shall promptly transmit the
15 nature and extent of the reduction, adjustment or waiver to the Treasurer and Department of Public
16 Works.

17 (3) A project applicant may apply to the Department of Public Works for a deferral of
18 payment of the fee described in Subsection (e) for the period that the Department completes
19 its review and until the application for expedited conversion is approved, provided that the
20 applicant satisfies each of the following requirements: (i) the applicant resided in his or her
21 unit in the subject property as his or her principle place of residence for not less than three
22 years and (ii) that for the twelve months prior to the application, the applicant resided in his or
23 her unit in the subject property as his or her principle place of residence and the applicant's
24 household income was less than 120% of median income of the City and County of San
25 Francisco as determined by the Mayor's office of Housing.

1 ~~(k) Any building that participates in the fee program set forth herein shall automatically~~
2 ~~be ineligible to participate in the 2014 condominium conversion lottery. DPW The City shall~~
3 ~~refund to the applicant any fees paid to participate in the 2014 lottery and shall remove any~~
4 ~~lottery tickets associated with the subject building from the lottery drawing.~~

5 ~~(l) Buildings that convert pursuant to this Section shall have no effect on the terms and~~
6 ~~conditions of Section 1341A, 1385A, or 1396 of this Code.~~

7 **SEC. 1396.5. SUSPENSION OF THE LOTTERY PENDING PRODUCTION OF**
8 **REPLACEMENT UNITS FOR EXPEDITED CONVERSION UNITS.**

9 (a) Within twelve months after issuing tentative or tentative parcel map approval for the
10 last conversion under Section 1396.4 or December 29, 2023, whichever is earlier, the
11 Department shall publish a report stating the total number of units converted under the
12 Expedited Conversion program and every twelve months thereafter until the Expedited
13 Conversion program is completed.

14 (b) No later than April 15 of each year until the termination of the suspension period,
15 the Mayor's Office of Housing shall publish a report stating the total number of permanently
16 affordable rental housing produced in San Francisco and the "Conversion Replacement Units"
17 produced in the previous calendar year and a cumulative total of such housing produced in
18 preceding years during the tracking period. For purposes of this Subsection, the Mayor's
19 Office of Housing shall have the authority to determine what type and form of housing
20 constitutes permanently affordable rental housing that has been produced.

21 (c) The Department shall not accept an application for the conversion of residential
22 units under Section 1396 nor conduct a lottery under this Article prior to January 1, 2024.
23 Thereafter, the lottery shall resume upon the earlier of the following: (1) until the first February
24 following the Mayor's Office of Housing report pursuant to Subsection (b) showing that the
25 total number of Conversion Replacement Units produced in the City of San Francisco

1 exceeded the total number of units converted as identified in the Department's report
2 prepared pursuant to Subsection (a); under Section 1396.4(b)(1)-(6) and in no event shall it
3 conduct a lottery prior to January 1, 2024; provided however, that the total period of
4 suspension of the lottery shall not exceed (2) completion of the "Maximum Suspension
5 Period" as defined below.

6 (d) "Conversion Replacement Units" in any year shall be determined by subtracting
7 300 from the total number of permanently affordable rental units that the City produced in that
8 year starting on January 1, 2014.

9 (e) The "Maximum Suspension Period" shall be the number of years calculated by
10 dividing the total number of units approved for conversion under Section 1396.4(b)(1)-(6)(7)
11 (the Expedited Conversion program) divided by 200 and rounded to the nearest whole
12 number with the year 2014 as the starting point. For example, if 2400 units have been
13 converted under Section 1396.4(b)(1)-(6)(7), then the maximum suspension period would be
14 12 years and run until 2026 expire on December 31, 2025.

15 Section 3. The San Francisco Subdivision Code is hereby amended by amending
16 Section 1396, to read as follows:

17 **SEC. 1396. ANNUAL CONVERSION LIMITATION.**

18 (a) This Section governing annual limitation shall apply only to conversation of
19 residential units. This Section also is subject to the limitations established by Section
20 1396.5's suspension of the lottery.

21 (b) Applications for conversion of residential units, whether vacant or occupied, shall
22 not be accepted by the Department of Public Works, except that a maximum of 200 units as
23 selected yearly by lottery by the Department of Public Works from all eligible applicants, may
24 be approved for conversion per year for the following categories of buildings:
25

1 (a) (1) Buildings consisting of four units or less in which one at least three of the units
2 has have been occupied continuously by one of the applicant owners of record as their
3 principle place of residence for three years prior to the date of registration for the lottery as
4 selected by the Director;

5 (2) Buildings consisting of three units in which at least two of the units have been
6 occupied continuously by the applicant owners of record as their principle place of residence
7 for three years prior to the date of registration for the lottery as selected by the Director;

8 (3) Buildings consisting of two units in which at least one unit has been occupied
9 continuously by the applicant owner of record as his or her principle place of residence for
10 three years prior to the date of registration for the lottery as selected by the Director; or

11 ~~(b) Buildings consisting of six units or less in which 50 percent or more of the units~~
12 ~~have been occupied continuously by the applicant owners of record for three years prior to the~~
13 ~~date of registration for the lottery as selected by the Director; or~~

14 (e) (4) Buildings consisting of five or six units that were subject to the requirements of
15 Section 1396.2(f) on or before April 15, 2013 where (A) no further evictions as set forth in
16 Section 1396.2 have occurred in the building after April 15, 2013, (B) the building and all
17 applicants first satisfied all the requirements for conversion under Section 1396.2(f) after
18 January 24, 2020 and before resumption of the lottery under in accordance with the terms of
19 Section 1396.5; and (C) 50 percent or more of the units have been occupied continuously by
20 owners of record as their principle place of residence for ten years prior to the date of
21 registration for the lottery as selected by the Director. Applicants for such buildings must
22 apply for the lottery within five years of the resumption of the lottery under Section 1396.5(c)
23 and remain eligible until selected;

24 (5) If the Expedited Conversion program under Section 1396.4 has been suspended
25 until 2024 as a result of a successful lawsuit against the City and County of San Francisco

1 challenging Section 1396.4(g) or 1396.5: (A) buildings consisting of five or six units that
2 participated in but were not selected for the 2012 or 2013 condominium conversion lottery in
3 which 50 percent or more of the units have been occupied continuously by the applicant
4 owners of record for no less than six years prior to the date of registration for the lottery as
5 selected by the Director or (B) buildings consisting of five or six units in which: (i) 50 percent
6 or more of the units have been occupied continuously by the applicant owners of record for no
7 less than six years prior to the date of registration for the lottery as selected by the Director
8 and (ii) the eligible applicant owners of record have a fully executed written agreement as of
9 April 15, 2013 in which the owners each have an exclusive right of occupancy to individual
10 units in the building to the exclusion of the owners of the other units. Applicants for buildings
11 identified in this Subsection must first apply for the lottery within five years of the resumption
12 of the lottery under Section 1396.5(c) and remain eligible until selected; or

13 (5)(6) Community apartments as defined in Section 1308 of this Code, which, on or
14 before December 31, 1982, met the criteria for community apartments in Section 1308 of this
15 Code and which were approved as a subdivision by the Department of Public Works on or
16 before December 31, 1982, and where 75 percent of the units have been occupied
17 continuously by the applicant owners of record for three years prior to the date of registration
18 for the lottery as selected by the Director.

19 (c) The conversion of a stock cooperative as defined in Section 1308 of this Code to
20 condominiums shall be exempt from the annual limitation imposed on the number of
21 conversions in this Section and from the requirement to be selected by lottery where 75
22 percent of the units have been occupied for the lottery as selected by the Director.

23 (d) No application for conversion of a residential building submitted by a registrant
24 shall be approved by the Department of Public Works to fill the unused portion of the 200-unit
25 annual limitation for the previous year.

1 (e)(f) (1) Any applicant application for a condominium conversion submitted after being
2 selected in the lottery must meet the following requirements applicable to Subdivision Code
3 Article 9, Conversions: Sections 1381, 1382, 1383, 1386, 1387, 1388, 1389, 1390, 1391(a)
4 and (b), 1392, 1393, 1394, and 1395.

5 (2) Any building subject to Section 1396.2 shall have all applicant(s) satisfy all the
6 requirements for conversion under Section 1396.2(f) in order be eligible to convert pursuant to
7 this Section 1396; provided, however, that any building subject to the prohibition on
8 conversion under Section 1396.2, in particular a property with the eviction(s) set forth in
9 Section 1396.2(b), is ineligible for conversion.

10 (3)(A) In addition, the applicant(s) must shall certify that to the extent any tenant
11 vacated his or her unit after March 31, 2013 within the seven years prior to the date of
12 selection in registration for the lottery as selected by the Director and before recordation of the
13 final parcel or subdivision map, such tenant did so voluntarily or if an eviction or eviction
14 notice occurred it was not pursuant to Administrative Code Sections 37.9(a)(8)-(14) unless
15 such eviction or eviction notice complied with the requirements of Subsections (B)-(D) below.

16 _____ (B) If an eviction has taken placed the evicting owner(s) recovered possession
17 of the unit under Administrative Code Sections 37.9(a)(11) or 37.9(a)(14), then the
18 applicant(s) shall certify that the original tenant reoccupied or was given an opportunity to
19 reoccupy the unit after the temporary eviction.

20 _____ (C) If the evicting owner(s) recovered possession of the unit under
21 Administrative Code Section 37.9(a)(10), then the applicant(s) shall certify that the
22 Department of Building Inspection required the unit be demolished or permanently removed
23 from housing use pursuant to a Notice of Violation or Emergency Order or similar notice,
24 order, or act; all the necessary permits for demolition or removal were obtained; that the
25 evicting owner(s) complied in full with Administrative Code Section 37.9(a)(10) and (c); and

1 that an additional unit or replacement unit was not constructed in the building after the
2 demolition or removal of the unit previously occupied by the evicted tenant.

3 (D) If the evicting owner(s) recovered possession of a unit under Administrative
4 Code Section 37.9(a)(8), then the applicants shall certify that: (i) only one unit in the building
5 was the subject of such eviction during the seven year period, (ii) any surviving owner or
6 relative named as the intended resident of the unit in the Section 37.9(a)(8) eviction notice
7 also is presently an owner applying for the conversion of the same unit, and (iii) the subject
8 applicant owner has occupied the unit continuously as his or her principle residence for three
9 years prior to the date of registration for the lottery as selected by the Director.

10 (f) The Department shall review all available records, including eviction notices and
11 records maintained by the Rent Board for compliance with Subsection (e). If the Department
12 finds that a violation of Subsection (e) occurred prior to recordation of the final map or final
13 parcel map, the Department shall disapprove the application or subject map. If the
14 Department finds that a violation of Subsection (e) occurred after recordation of the final map
15 or parcel map, the Department shall take such actions as are available and within its authority
16 to address the violation.

17 Section 4. Uncodified. Notwithstanding the condominium conversion lottery selection
18 provisions of Subdivision Code Section 1396 and 1396.3 or the other terms of this legislation,
19 the most senior class of buildings participating but not being selected in the 2013
20 condominium lottery may apply for a condominium conversion subdivision on or after January
21 1, 2014 but before December 31, 2014 subject to the following: (1) the buildings and
22 applicants shall satisfy all of the eligibility requirements necessary to participate in the lottery
23 as set forth in Sections 1396 and 1396.3 in effect immediately prior to the effective date of this
24 legislation and (2) the applicants shall satisfy all other applicable terms of Subdivision Code
25 Article 9 (Conversions). Any buildings that apply under the process set forth in this uncodified

1 Section are explicitly exempt from the requirements of Sections 1396.4, 1396.5, and 1396 as
2 set forth in this legislation. Any building eligible to convert to condominiums: (a) under this
3 Section 4, (b) after being selected for conversion in the 2013 condominium conversion lottery,
4 or (c) that satisfies the requirements of Section 1359, is excluded from any of the terms of
5 Section 7 below, specifically any limitation or prohibition of any kind concerning application
6 submission, review, and approval for a parcel or subdivision map.

7 Section 5. Effective Date. This ordinance shall become effective 30 days from the
8 date of passage.

9 Section 456. This section is uncodified. In enacting this Ordinance, the Board intends
10 to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers,
11 punctuation, charts, diagrams, or any other constituent part of the Subdivision Code that are
12 explicitly shown in this legislation as additions, deletions, Board amendment additions, and
13 Board amendment deletions in accordance with the "Note" that appears under the official title
14 of the legislation.

15 Section 67. Suspension of this Ordinance Effect of Litigation. (a) In the event that there
16 is a lawsuit against the City and County of San Francisco filed in any court challenging any
17 part of this legislation or the validity of any lifetime lease entered into pursuant to this
18 legislation Subsection 1396.4(g) or Section 1396.5 or any obligation on the part of any
19 property owner under Section 1396.4(g), then upon the service of such lawsuit upon the City
20 and County of San Francisco, the Expedited Conversion program described in Section 1396.4
21 will be suspended as set forth below unless and until either (1) there is a final judgment in the
22 lawsuit in all courts and the validity of this legislation in its entirety the challenged provision(s)
23 specified above is upheld or (2) the suspension of the lottery through January 1, 2024 as
24 mandated by Section 1396.5 is completed.

1 (b) Legal Challenge to Section 1396.5 During any such suspension of the Expedited
2 Conversion program pursuant to this Subsection based on a legal challenge to Section
3 1396.5, any the Department, upon service of the lawsuit, shall not accept or approve any
4 application for conversion under the program. After 180 days following service of the lawsuit,
5 the Department shall not issue any tentative parcel map or tentative map approval for
6 conversion and shall deny any application that has not obtained such approval. If an owner(s)
7 obtained a final and effective tentative parcel map or tentative map approval on or prior to the
8 180th day following service of the lawsuit, then that applicant may proceed to final parcel map
9 or final subdivision map approval and recordation of the subdivision map. At any time during
10 a suspension of the Expedited Conversion program, any applicant may seek a refund of the
11 condominium conversion application and condominium conversion impact fees and the
12 provisions of Section 1396 in effect on April 15, 2015 shall be operative. Upon a request for
13 an application fee refund, the reviewing City Departments shall deduct incurred costs based
14 on time and materials expended and shall refund any remaining portion of the application
15 fee(s).

16 (c) Legal Challenge to Section 1396.4(g)'s Property Owner Obligations. During a
17 suspension of the Expedited Conversion program pursuant to this Subsection based on a
18 legal challenge to any obligation on the part of any property owner under Section 1396.4(g),
19 the Department, upon service of the lawsuit, shall not accept or approve any application for
20 conversion under the program for a building with a unit occupied by a non-owning tenant(s). If
21 an owner(s) obtained a final and effective tentative parcel map or tentative map approval on
22 or prior to the service of the lawsuit, then that applicant may proceed to final parcel map or
23 final subdivision map approval and recordation of the subdivision map. Notwithstanding the
24 effects of a suspension of the Expedited Conversion program pursuant to this Subsection
25 described above and the terms of Subsection (e), the Department shall continue to accept,

1 tentatively approve, and finally approve any application for a conversion pursuant to the
2 requirements of the Expedited Conversion program for any building that has no units occupied
3 by a non-owning tenant(s). At any time during a suspension of the Expedited Conversion
4 program, any applicant may seek a refund of the condominium conversion application and
5 condominium conversion impact fees and the provisions of Section 1396 in effect on April 15,
6 2015 shall be operative. Upon a request for an application fee refund, the reviewing City
7 Departments shall deduct incurred costs based on time and materials expended and shall
8 refund any remaining portion of the application fee(s).

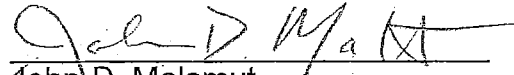
9 (d) Legal Challenge to both Section 1396.5 and Section 1396.4(g)'s Property Owner
10 Obligations. During a suspension of the Expedited Conversion program pursuant to this
11 Subsection based on a legal challenge as identified in both Subsection (b) and (c), the
12 Department, upon service of the lawsuit, shall not accept or approve any application for
13 conversion under the program. If an owner(s) obtained a final and effective tentative parcel
14 map or tentative map approval on or prior to service of the lawsuit, then that applicant may
15 proceed to final parcel map or final subdivision map approval and recordation of the
16 subdivision map. At any time during a suspension of the Expedited Conversion program, any
17 applicant may seek a refund of the condominium conversion application and condominium
18 conversion fees. Upon a request for an application fee refund, the reviewing City
19 Departments shall deduct incurred costs based on time and materials expended and shall
20 refund any remaining portion of the application fee(s).

21 (e) Upon the completion of the suspension of the Expedited Conversion period the
22 suspended Expedited Conversion program described in Section 1396.4 shall resume as if no
23 suspension had occurred. Applicants with suspended applications may resubmit their
24 applications along with all required fees and shall be considered in the same position as they
25 had at the time of the suspension. The Department shall treat the time periods described in

1 Section 1396.4(b)(1)-(7) as having been tolled during the time of suspension of the Expedited
2 Conversion program.

3 (f) Effect of Successful Lawsuit against the City, Board of Supervisors hearing. If there
4 is a final judgment in the lawsuit in all courts and the challenged provision(s) specified in this
5 Section are deemed invalid in whole or in part, the Expedited Conversion program set forth in
6 Section 1396.4 shall terminate except for those particular buildings authorized to convert
7 pursuant to Subsection (b), (c), or (d) and the condominium conversion lottery shall be
8 suspended in its entirety until its resumption after January 1, 2024. Upon a court's final
9 judgment in the lawsuit in all courts that the challenged provision(s) specified in this Section
10 are deemed invalid in whole or in part, the City Attorney shall promptly notify the Clerk of the
11 Board of Supervisors of such judgment. Upon receipt of this notice, the Clerk shall schedule a
12 public hearing(s) before the full Board or an appropriate committee of the Board, based on
13 consultation with the President of the Board of Supervisors. The purpose of such hearing(s)
14 shall be to provide a forum for public dialogue and shall address, but not be limited to,
15 consideration of revisions to the condominium conversion process consistent with the court's
16 findings, exploration of alternative condominium conversion policies that seek to balance the
17 often competing interests of the City, property owners, prospective owners, and tenants;
18 discussion of the benefits and burdens as well as the distributive impacts of a citywide
19 condominium conversion process and affordable housing production and opportunities; and
20 concepts that support and balance the goal of homeownership with protection of rental
21 properties and their tenants.

1 APPROVED AS TO FORM:
2 DENNIS J. HERRERA, City Attorney

3 By: 
4 John D. Malamut
5 Deputy City Attorney
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REVISED LEGISLATIVE DIGEST

(6/11/2013, Amended in Board)

[Subdivision Code - Condominium Conversion Fee]

Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion fee applicable to certain buildings that would be permitted to convert during a seven year period, and subject to specified requirements, including lifetime leases for non-purchasing tenants; adding Section 1396.5, to suspend the annual condominium conversion lottery until 2024 and resume said lottery under specified circumstances tied to permanently affordable rental housing production; amending Section 1396, to restrict future condominium lotteries to buildings of no more than four units with a specified number of owner occupied units for three years prior to the lottery and provide an exception for certain five- and six-unit buildings to participate in the lottery; and adopting environmental findings.

Existing Law

The San Francisco Subdivision Code regulates the conversion of apartments and tenancy-in-common buildings to condominium subdivisions and prohibits the conversion of buildings in excess of 6 units. Subdivision Code Section 1396 limits the number of conversions to 200 units annually that are selected in a condominium lottery. In order to participate in the lottery, a specified number of building owners must continuously occupy a unit(s) in the building for at least three years in advance of the lottery. The Subdivision Code requires at least 1 owner occupant in a 2, 3, or 4-unit building and at least 3 owner occupants in a 5 or 6-unit building. Section 1396.3 sets forth the selection process for the annual 200-unit condominium lottery and bases the selection process, in part, on seniority of participation in past lotteries.

Amendments to Current Law

This Ordinance would suspend the condominium conversion lottery until at least 2024. Between the effective date of the legislation and April 15, 2020, referred to as the Expedited Conversion program, specified 2-6 unit buildings could convert to condominiums once the applicants meet certain identified requirements for ownership and owner-occupation terms and pay a \$20,000 per unit condominium conversion fee. The fee would be reduced 20% for every year before 2013 that the building participated in the lottery. The fee revenue collected would be placed into two different Mayor's Office Housing funds with 75% earmarked for the Housing Trust Fund and 25% dedicated to small site acquisition to purchase market rate housing and convert it to affordable housing. The Ordinance also would require that: (1) all non-purchasing tenants at the time of final or parcel map approval of the condominium subdivision be presented with a written offer for a lifetime lease with certain specified terms, (2) there be a binding and recorded agreement between the owner(s) and the City concerning

the lease and (3) there be a binding and recorded lifetime lease between the owner(s) and the tenant(s) if the tenant(s) accept the written offer. The legislation would adopt special provisions that apply if there is a contract or option to sell a unit or interest in a building potentially subject to a lifetime lease. In recognition of the lifetime lease requirements, buildings would receive a refund on the condominium conversion impact fee tied to the number of units associated with a lifetime lease. The Ordinance would establish time periods and procedures to pay the fee or to defer fee payment and complete steps in the conversion process. The legislation provides for a public notice and comment period and potential public hearings in advance of any tentative approval action of the map by the Department of Public Works.

The legislation would provide that after suspension of the condominium conversion lottery, which can be no earlier than 2024, the lottery would resume either when the maximum suspension period is reached based on a formula related to conversions pursuant to the expedited conversion process or earlier if the City meets specified thresholds for production of new affordable units. When the lottery resumes, the Ordinance would limit the maximum building size for conversion to a 4-unit building; although an exception is provided for certain 5 or 6-unit buildings that meet specified qualifications. While the owner-occupancy requirement would stay the same as current law (3 years), the legislation also would require that any 3-unit building have at least 2 owner-occupants and any 4-unit building have at least 3 owner-occupants. In addition, the legislation would prohibit buildings from participating in the lottery if there were certain evictions within a 7-year period before the lottery.

The Ordinance contains a provision that if any lawsuit is filed against two specific sections of the legislation, the expedited conversion program would be suspended at the time the lawsuit is served on the City and until a final judgment is issued in favor of the City. During this time, applicants could seek a refund of the conversion fee and any unexpended permit fees. When the lawsuit is served on the City, the City would not accept any new conversion applications. Depending on which of the two identified sections of the new law is challenged, the impact to pending applicants would be different. If the challenged provision is the new proposed Section 1396.5 (suspension of the condominium lottery), then any pending applicant who obtains a final and effective tentative parcel map or tentative map on or before 6 months from the service of the lawsuit can proceed to final parcel map or subdivision map approval for the conversion under the Expedited Conversion program. If the challenged provision is the new proposed Section 1396.4(g) (property owner obligations related to the lifetime lease) or both Sections 1396.4(g) and 1396.5, then: (1) any pending applicant who did not obtain a final and effective tentative parcel map or tentative map on the date of service of the lawsuit would be prohibited from converting through the Expedited Conversion program and (2) any pending applicant who obtained a final and effective tentative parcel map or tentative map prior to the date of service of the lawsuit could proceed to final parcel map or subdivision map approval for the conversion. In addition, if only Section 1396.4(g) is challenged, then a building that does not have any non-owning tenants can apply for conversion and obtain a final parcel or subdivision map at any time as long as it meets the requirements of the Expedited Conversion Program.

The Ordinance specifies that if a court upholds a challenge to Section 1396.4(g), Section 1396.5, or both, then the Expedited Conversion program will resume. If a court finds that Section 1396.4(g), Section 1396.5, or both is/are invalid, then: (1) the Expedited Conversion program will terminate for those buildings not otherwise authorized to convert, (2) the condominium conversion lottery will resume in January 2024, and (3) the Board would hold a public hearing(s) to consider revisions to the condominium conversion process that are consistent with the court's findings, among other issues. The Ordinance also would adopt environmental findings.

1 [Subdivision Code – Condominium Conversion Impact Fee]

2

3 Ordinance 1) amending the Subdivision Code by adding Section 1396.4 to adopt a

4 condominium conversion impact fee applicable to certain buildings qualifying for

5 participating but not being selected or participating in the 2013 or 2012 condominium

6 conversion lottery only that would be permitted to converted during a six year period,

7 and subject to specified requirements, including lifetime leases for non-purchasing

8 tenants; 2) adding Section 1396.5 to suspend the annual condominium conversion

9 lottery until 2024 and resume said lottery under specified circumstances tied to

10 permanently affordable rental housing production; 3) amending Section 1396 to restrict

11 future condominium lotteries to buildings of no more than four units with a specified

12 number of owner occupied units for three years prior to the lottery; and 2) 4) adopting

13 environmental findings.

14 NOTE: Additions are *single-underline italics Times New Roman*;

15 deletions are *strike-through italics Times New Roman*.

16 Board amendment additions are double-underlined;

Board amendment deletions are ~~strikethrough-normal~~.

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

18 Section 1. Findings. (a) The Planning Department has determined that the actions

19 contemplated in this Ordinance are in compliance with the California Environmental Quality

20 Act (California Public Resources Code sections 21000 et seq.). Said determination is on file

21 with the Clerk of the Board of Supervisors in File No. _____ and is incorporated

22 herein by reference.

23 (b) A copy of the report on the fees identified herein is in Clerk of the Board of

24 Supervisors File No. _____ and is incorporated herein by reference. The City

25 Controller's Office has independently confirmed that the fee amounts identified in said report

Supervisor Chiu, Yee
BOARD OF SUPERVISORS

NON-PHYSICAL EXEMPTION
PURSUANT TO CEQA SECTION
15060(C)(2). J. Yee
JOY NAVARRETE

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

June 20, 2012

File No. 120669

Bill Wycko
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Mr. Wycko:

On June 12, 2012, Supervisor Farrell introduced the following proposed legislation:

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

This legislation is being transmitted to you for environmental review, pursuant to Planning Code Section 306.7(c).

Angela Calvillo, Clerk of the Board

Handwritten signature of Alisa Miller in cursive.

By: Alisa Miller, Committee Clerk
Land Use & Economic Development Committee

Attachment

c: Monica Pereira, Environmental Planning
Joy Navarrete, Environmental Planning

*Statutory Exemption
CESA Section 15273
Rates, Tolls, Fees & Charges*

*JN 1/4/13
JOY NAVARRETE*



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

April 02, 2013

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

Re: Office of Economic Analysis Impact Report for File Number 120669

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 APR -2 PM 1:29

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file number 120669, "Condominium Conversion Impact Fee: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

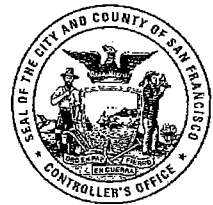
Ted Egan
Chief Economist

City and County of San Francisco

Office of the Chancellor, Office of Economic Analysis

Condominium Conversion Fee: Economic Impact Report

File #120669



April 2, 2013



City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Condominium Conversion Fee: Economic Impact Report

April 2, 2013

Main Conclusions

This report analyzes the economic impact of proposed legislation that would modify the way tenancies-in-common may be converted to condominiums in San Francisco. Currently, 200 condominium conversions per year are permitted, and are selected by lottery. Approximately 700 TIC buildings, containing 2,269 housing units, have registered for the 2013 lottery. The proposed legislation would allow property owners of housing units that were registered for the 2012 or 2013 lotteries to bypass the lottery, and convert their buildings to condominiums by paying a fee. The fee was designed after a nexus analysis to offset expected increases in the demand for affordable housing in the city associated with condominium conversion.

Condominium conversion creates clear financial advantages for owners of tenancies-in-common (TIC) buildings. Property owners gain from the fact that financing costs are significantly lower for condominiums than for TIC units (with rates currently at 4.75% for TIC loans vs. 2.25% for comparable condominium mortgages). Under the State Costa-Hawkins Act, condominiums cannot be subject to rent limitations under most circumstances, so owners of condominiums also have the opportunity for greater rental income than owners of TIC units, the vast majority of which are subject to rent control.

The OEA projects that approximately 1,730 participants in the 2013 lottery would elect to utilize the fee option if the legislation were adopted, generating \$25 million in one-time fee revenue for the City. The City and other agencies that receive local property tax revenue also stand to receive an additional \$1.0 - \$1.7 as converted condominiums are sold and reassessed at a higher level. Tenants of these converted properties would likely spend between \$0.8 and \$1.1 million annually in higher rent.

The City may wish to explore the legalities of strengthening the tenant protections in the legislation. The financial analysis in this report suggests that the bulk of the benefit to property owners is associated with reduced financing costs, and the condominium conversion fee would still be attractive to TIC owners, even if any future rent increase in converted condominiums were limited in exactly the same way, and to the same extent, as rent-controlled apartments are.

INTRODUCTION

Background

Many multi-family residences in San Francisco are legally owned as entire buildings, in which the individual apartment units cannot be bought and sold separately. Condominiums, on the other hand, while often physically part of a larger multi-family residence, may be legally owned by an individual owner, and may be bought and sold separately from the remainder of the building.

For the most part, apartments are occupied by renters, although owners of apartment buildings may occupy units within their buildings. When units in a multi-family residence are occupied by more than one owner, it is referred to as a tenancy-in-common (TIC). Such buildings are often owned by a legal partnership.

TIC owners may buy and sell shares that are equivalent to the ownership of a single unit in the building—for example, a 20% share in a 5-unit building—but this does not make TIC ownership as straightforward as a condominium, as the TIC owner does not actually own his or her unit. Buying, selling, and making investments in a TIC can be significantly more complex, and risky, than it is with a condominium.

Because of this, financing and transaction costs associated with purchasing a TIC share are significantly higher than they are with a condominium, and most investors place a value on the condominium form of ownership. This value appears in the market as a price premium for condominiums over TIC shares.

TIC owners therefore have a clear financial incentive to convert their jointly-owned multi-family property into individually-owned condominiums. The City has a process to allow this conversion. 200 TIC units may be converted to condominiums each year, chosen by lottery.

The proposed legislation would create a one-time opportunity for TIC owners to bypass the lottery, and convert their TICs to condominiums by paying a fee to the City.

The legislation would only apply to TICs that were enrolled in the 2012 or the 2013 lottery.

In addition, the legislation would require any tenant remaining in a TIC unit at the time of conversion (a “non-purchasing tenant”) to be granted a lifetime lease, with rent increases that are controlled by the Bay Area average rate of inflation in residential rent. The lease could not be modified by any future owner of the condominium.

The legislation establishes a conversion fee of \$20,000

The Proposed Legislation and Nexus Study

per unit, which decreases the longer the TIC has participated in the lottery, according to the schedule in Table 1.

| Condominium Conversion Fee Discount, by Length of Time in the Lottery | |
|--|----------|
| 0 – 1 years | \$20,000 |
| 2 Years | \$16,000 |
| 3 Years | \$12,000 |
| 4 Years | \$8,000 |
| 5+ Years | \$4,000 |

The fee is based on a nexus study conducted in 2011 by Keyser Marston Associates (KMA)¹. The nexus study determined that the conversion of a TIC unit into a condominium would result in a net increase in personal income in San Francisco, through the net replacement of a household able to afford a TIC unit with a household able to afford a condominium. The resulting increase in personal income will lead to higher consumer spending, which is presumed to create employment and population growth. The maximum fee level identified in the nexus study is equal to the amount necessary to offset the housing affordability gap for the new households having income under 120% of the area median.

The nexus study did not consider any potential impacts related to rent control, or to the effect of conversion on housing construction levels and market rents. It also did not consider the effect of condominium conversion on the assessed value of property in San Francisco, and on property tax revenue.

Based on discussions with brokers, KMA estimated the condominium premium to be 15%, equivalent to a \$45,000 to \$75,000 gain from conversion (less City conversion fees). The proposed maximum fees identified in the nexus study range from \$21,600 to \$34,900.

Each year the City allows qualified TIC buildings with two to six units to convert to condominiums through a lottery system. Two-unit buildings in which separate owners of each unit have occupied the building for at least one year are allowed to by-pass the lottery. Buildings with seven or more units are not permitted to convert to condominiums.

TIC buildings must meet certain owner occupancy requirements in order to enter the lottery and qualify for conversion. Each owner of the TIC must have at least 10% ownership interest. At least one owner must be an occupant of his or her unit for at least three consecutive

Condominium Conversion Qualification

¹ *Condominium Conversion Nexus Analysis San Francisco*, Keyser Marston Associates, January 2011

years for buildings with 2-4 units. At least three separate owners must be occupants of their separate units for at least three consecutive years for buildings with 5-6 units.

TIC owners can initially occupy units in the building they own through a variety of ways. Tenants may voluntarily leave, or they may be induced to leave through payments. They can also be evicted through an owner-occupancy eviction or an Ellis Act eviction. An owner-occupancy eviction can occur if the owner owns at least 25% of the property (10% if ownership began before February 21, 1991) and no other unit in the building has been subject to an owner-occupancy eviction. An Ellis Act eviction occurs when the owner withdraws all units in a building from the rental market. However, the City prohibits buildings that have had two or more evictions occurring in separate units after May 1, 2005 from qualifying for conversion for ten years.

TICs that do not win the lottery may remain in it in subsequent years with a higher probability of winning, provided they remain qualified. Based on lottery results from the past several years, conversion has generally been assured by the 7th or 8th year. However, this is not guaranteed by the lottery process, and the actual timing depends on the number of units in the lottery.

Condominium Conversion and Rent Control

Dwelling units constructed before 1980 and offered for rent are subject to rent control under San Francisco's Rent Ordinance. This ordinance allows landlords to establish any initial rent, but limits future increases in rent to 60% of the rate of inflation in the San Francisco Bay Area.

However, the State's Costa-Hawkins Act (1995) prevents local rent control from applying to condominiums in California, in most circumstances. Because of Costa-Hawkins, a conversion of a pre-1980 rental unit to a condominium results in the loss of a rent-controlled unit. Even if the condominium is not owner-occupied, and is instead subsequently rented to a new tenant, that tenancy is not subject by rent control.

The Act does provide for an exception, when a condominium agrees to accept limitations on future rent increases as part of a contract with a public agency, and in exchange for a financial consideration. The proposed legislation utilizes this provision in Costa-Hawkins to require a lifetime lease for non-purchasing tenants; in exchange for this provision, the legislation provides for a fee reduction for affected TIC owners.

ECONOMIC AND FISCAL IMPACTS

Introduction

By changing the process through which apartment units may be converted to condominiums, the proposed legislation will have some near-term, and potentially long-term, impacts on the city's housing market, economy, and tax revenues.

The proposed legislation would not affect the number of units that may be converted under the lottery. The conversion fee, therefore, would result in a net increase in the number of condominiums in the city: from 200 per year under the lottery, to 200 per year under the lottery, plus any that converted in 2013 utilizing the fee option. Assessing the impacts of the fee option therefore involves a comparison a condominium with an equivalent TIC unit.

As stated earlier, condominiums and TIC units differ in two primary respects:

- The financing cost for condominiums is lower than it is for TIC units, because of the greater ease of buying and selling the unit.
- Only TIC units may be subject to rent control.

Consequently, when owners convert a TIC building to condominiums, they stand to benefit from lower financing costs, as well as higher rental income, if the condominiums are rented to tenants. While many condominiums are intended to be owner-occupied after conversion, some are rented,² and the comparison between TIC units and condominiums is clearest if differences in financing costs and rental income are considered. The lower financing costs and higher potential income of condominiums also raises the value of the property, and ultimately its assessed value and the City's property tax revenue.

Once per-unit estimates of these impacts are made, an estimate of the likely utilization of the fee, and an aggregate economic impact estimate, can be made.

Impact on Unit Financing Costs

A comparison of condominium mortgage and TIC loan offerings that are similar in their payment terms suggests that there is currently about a 2.5% gap in interest rates paid between the two types of products. For a 30 adjustable rate loan, fixed for the first seven years, paying 1.25 points with excellent borrower credit, current TIC loan rates are 4.75%, while current mortgage rates are 2.25%.

² According to data from the U.S. Census, the percentage of San Francisco housing units that are renter-occupied increased after the housing market downturn. In 2011, 63.9% of housing units were renter-occupied; in 2006, 60.7% were.

Every property will be different, but the impact of less expensive financing on owner income can be illustrated by reference to two of the "prototype" TIC units referred to in the KMA nexus study. In this illustration, a TIC share costing \$300,000, needing to finance 70% of the original TIC purchase price, can potentially save \$3,572 in financing costs through conversion, over a thirty-year financing period. Financing costs could potentially be reduced by \$5,954 per year for a similar \$500,000 TIC unit.

| Potential Annual Finance Savings from Condominium Conversion: Two Sample TIC units | | | | | | | |
|--|-----------------------|-------------------|----------|------------|-------------------------|---------------------------|--|
| TIC Sales Price | Assumed Loan-to-Value | Amount to Finance | TIC rate | Condo Rate | Annual Finance Cost-TIC | Annual Finance Cost-Condo | Annual Finance Savings from Conversion |
| \$300,000 | 70% | \$210,000 | 4.75% | 2.25% | \$13,274 | \$9,702 | \$3,572 |
| \$500,000 | 70% | \$350,000 | 4.75% | 2.25% | \$22,123 | \$16,170 | \$5,954 |

Sources: for TIC rates, GordonFriedman.com (retrieved 3/18/13). For condominium mortgage rates, AmericanInterbanc.com (retrieved 3/18/13).

Impact on Future Rental Income

The fact that condominiums cannot be subject to rent control, but most TIC units are, creates the potential for future rent payments to increase in converted condominiums. This increase can be estimated by comparing increases in market-rate rent payments in the past, with allowable rent increases for rent-controlled units over the same time period.

As stated earlier, existing tenants in units converted using the fee may remain in their units, with future rent increases limited by the legislation. However, the index by which rent may increase under the legislation is different than the one used for rent-controlled units. Under the Rent Ordinance, annual increases in rent are limited to 60% of the overall rate of inflation in the Bay Area. For converted condominiums, rent increases are limited by the Bay Area rate of inflation in residential rents, one component of the overall rate of inflation.

This latter index captures the trend in actual rent paid across the Bay Area, and is in fact the best available estimate of future price increases in non-rent-controlled units. This suggests that there will only be a small difference in the increases in rent that current tenants utilizing the lifetime lease provision will face, from those faced by later tenants whose rent increases would be unregulated.

Over the 1980-2012 period, the average annual increase in this residential rent index was 4.9% per year. The

average allowable rent increase over the same period was 2.3%. If this difference extends in the future, then, on average, rental income associated with the property will increase by an average of 2.6% per year (4.9% - 2.3%). As Table 3 below indicates, this would translate into an annual increase in rent of \$437 per year for the \$300,000 TIC example from the nexus study which rents at \$1,400 per month, and \$624 for the \$500,000 example which rents at \$2,000 per month.

| Potential Annual Rent Increases from Condominium Conversion: Two Sample TIC Units | | | | |
|--|---------------------|----------------------------|------------------------------|-----------------------------|
| TIC Sales Price | Current Rent | Rent increase - TIC | Rent Increase - Condo | Annual Rent Increase |
| \$300,000 | \$1,400 | 2.3% | 4.9% | \$437 |
| \$500,000 | \$2,000 | 2.3% | 4.9% | \$624 |

Source: For current rent, KMA nexus study. TIC and Condo rent increases based on 60% of annual change in the CPI-U inflation index for the San Francisco Bay Area, and annual change in the residential rent component of the Bay Area CPI-U, respectively.

Together, the reduction in financing costs and the increase in rent combine to increase annual property income by about \$4,000-\$6,500 per unit. Table 4 suggests that, given a typical capitalization rate of 7%, this increase in property income would translate into an increase in property value of \$57,270 for the \$300,000 TIC, and \$93,965 for the \$500,000 TIC unit. When the condominium is sold, its 1% base annual property tax payment will increase by \$573 and \$940 respectively.

Although actual financing savings and rent increases will differ from these examples, it appears likely that property owners will benefit far more from the financing savings than from the rent increases. In both examples, finance savings make up 90% of the gain in property income and value.

| Potential Annual Rent Increases from Condominium Conversion: Two Sample TIC Units | | | | | | |
|--|---|-----------------------------|---|----------------------------|-----------------------------------|---------------------------------------|
| TIC Sales Price | Annual Finance Savings from Conversion | Annual Rent Increase | Annual Increase in Property Income | Capitalization Rate | Increase in Property Value | 1% Annual Property Tax Payment |
| \$300,000 | \$3,572 | \$437 | \$4,009 | 7% | \$57,270 | \$573 |
| \$500,000 | \$5,954 | \$624 | \$6,578 | 7% | \$93,965 | \$940 |

Fee Utilization and Revenue

As Table 1 indicated, the fee for TIC buildings in their first or second year in the lottery is \$20,000, with the fee declining with

According to the Department of Public Works, 2,269 eligible housing units are in the 2013 lottery. It is unlikely that all of them will elect to use the fee, because properties which have been in the lottery for six, seven, or eight years have a high probability of winning without needing to pay a fee.

Based on past winning probabilities for properties at different stages of the lottery, the OEA estimates that approximately 1,730 housing units would elect to convert using the fee. As it would mainly be more recent lottery entrants that would elect to pay the fee, the per-unit fee paid would be relatively high. The OEA further estimates that fee revenue would approximate \$25 million.

Aggregate Economic and Revenue Impacts

Given an estimate of the number of units that might be converted under the fee option, and the per-unit impacts discussed in earlier sections, a range of estimates of the aggregate impact of the proposed legislation on the City's economy and property tax revenue can be developed. Using the estimate of the number of housing units utilizing the fee, and the range of per-unit impacts discussed above

- An aggregate annual reduction of housing finance expenditure of between \$6.2 and \$11.4 million annually, benefitting the owners of the converted properties.
- An annual increase in rent payments of between \$0.8 million and \$1.1 million annually, due to the loss of rent-controlled housing units and the expected difference, based on past trends, between annual increases in market rents and allowable increases under the Rent Ordinance.
- A one-time increase in local government revenue of \$25 million, from the fee.
- An annual increase in property tax revenue of between \$1.0 million and \$1.6 million.

CONCLUSIONS AND RECOMMENDATIONS

The analysis in the preceding section suggests that the proposed legislation would create clear advantages for owners of tenancies-in-common. Their costs of financing their units would decline, and they would likely earn higher rental income from them, if they wish to put them up for rent, as many condominium owners do. This is both because condominiums are not subject to rent control, and because the rent index used by the lifetime lease provision of the legislation is equivalent to market-rate rent in the Bay Area.

The City stands to benefit from approximately \$25 million in one-time fee revenue, and, over time, approximately \$1.0 - \$1.7 million in higher property tax revenue, because the condominiums will, upon sale, have a higher assessed value.

At the same time, utilization of the fee option would reduce the number of rent-controlled housing units in the city, leading to higher rent payments from current and future tenants.

Despite the fact that property owners stand to increase their property income and value, while some renters face higher rents, condominium conversion is not a zero-sum game for the city.

Financial analysis of some typical TIC cases suggests that the benefits to property owners do not come primarily from higher rents, and that higher rents account for only about 10% of the gain to property owners. The reduction in financing costs is likely to be a much greater source of property income than higher rents. Fundamentally the financing savings is due to the greater efficiency of condominium ownership, compared with TICs, and those particular savings do not come at the expense of other stakeholders in the city.

This suggests that the legislation could be changed to eliminate the costs to future tenants without substantially reducing the incentive for property owners. Specifically, the City may consider if it is legally acceptable to modify the legislation in two ways:

1. Applying the same allowable rent increases to lifetime leases that apply to rent-controlled units;
2. Applying this level of rent limitation to every post-conversion tenancy, in perpetuity, and not only to tenancies of current non-purchasing tenants. As TIC owners would only be voluntarily accepting this control, in exchange for realizing the other benefits of conversion, it may be deemed to fit under the Costa-Hawkins exception that rent control may

only be applied to condominiums when the owner signs a contract with a public agency. As mentioned earlier, the lifetime lease requirement that is currently in the legislation already utilizes this exception.

STAFF CONTACTS

Ted Egan, Chief Economist (415) 554-5268 ted.egan@sfgov.org

Jay Liao, Economist, (415) 554-5159 jay.liao@sfgov.org

From: Michelle Allersma/CON/SFGOV@SFGOV
To: Mark Farrell/BOS/SFGOV@SFGOV,
Cc: Catherine Stefani/BOS/SFGOV@SFGOV, Ben Rosenfield/CON/SFGOV@SFGOV, John Malamut/CTYATT@CTYATT, Kurt Fuchs/CON/SFGOV@SFGOV
Date: 03/02/2012 11:19 AM
Subject: condo conversion fee update

Hello Supervisor Farrell--

We have reviewed the January 2011 Condominium Conversion Nexus Analysis prepared by Keyser Marsten Associates. We believe the data in the report are recent enough to provide a reliable estimate of the nexus amount attributable to condominium conversion, and that an updated report is not necessary for fee discussions at this time.

Attached is an updated estimate of potential fee revenue, which depends heavily on 1) the assumed current value of TICs and 2) the fee level. We've chosen an average value of \$500K, based on the nexus study, which estimates that the low end is \$300K-\$500K, and average recent sales prices (approximately \$600K in the past two years).

Table IV-5 of the nexus study lists the maximum supported fees per unit to be:

\$21,787 for a \$300K unit
\$30,117 for a \$400K unit
\$34,603 for a \$500K unit.

Estimates of increased property and property transfer tax revenue that could result from condominium conversions also depend heavily on TIC values and the number of TIC owners that would elect to convert. Kurt Fuchs will look into this more next week and get back to you.

Please let us know if you have questions,
Michelle

Michelle Allersma
Budget and Analysis Division
Controller's Office
City & County of San Francisco
415.554.4792



Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: The Honorable Supervisor Farrell
FROM: Ben Rosenfield, Controller *BR*
DATE: March 9, 2012
SUBJECT: Estimated Condominium Conversion Fee and Associated Property Tax and Property Transfer Tax

Per your request, the Controller's Office has estimated the range of potential revenues that may be generated by the proposed Condominium Conversion Impact Fee Ordinance as currently drafted. As shown in Table 1, the estimated revenues range from \$7.4 million to \$24.6 million in fee revenues plus approximately \$0.1 million in additional property tax and real property transfer tax revenues. These estimates are highly sensitive to several key assumptions outlined below.

Table 1 Projected Single Year Fee Revenue, Property Tax, and Property Transfer Tax at Different Participation Rates

| | 100% take up rate 1,857 Units | 50% take up rate 929 Units | 50% take up rate 557 Units |
|------------------------|----------------------------------|-------------------------------|-------------------------------|
| Fee Revenue (one-time) | \$ 24,644,000 | \$ 12,322,000 | \$ 7,393,200 |
| Property Tax | \$ 40,000 | \$ 20,000 | \$ 10,000 |
| Transfer Tax | \$ 50,000 | \$ 30,000 | \$ 20,000 |
| Total | \$ 24,734,000 | \$ 12,372,000 | \$ 7,423,200 |

Estimated Condominium Conversion Impact Fee Revenue

Our projections are based on Keyser Marsten Associates' (KMA) January 2011 Condominium Conversion Nexus Analysis. We have reviewed this report and believe the market data and other assumptions are sufficiently current to provide a reliable estimate of the nexus amount attributable to condominium conversion, and that an updated report is not necessary for fee discussions at this time.

The Condominium Conversion Fee contemplated by the ordinance ranges from \$20,000 to \$4,000 per unit, with the fee reduced the longer the property has been in the condo conversion lottery. The proposed fees are less than the maximum per unit fee to convert a tenancy-in-common (TIC) to a condominium supported by the KMA nexus study, summarized below:

1. \$300,000 TIC value; \$21,787 maximum conversion fee,
2. \$400,000 TIC value; \$30,117 maximum conversion fee, and
3. \$500,000 TIC value; \$34,603 maximum conversion fee.

The first step in our analysis was to estimate the participation rate of TIC owners willing to pay the conversion fee rather than taking a chance on winning in subsequent rounds of the condo lottery. Our assumption is that the alternative to paying the fee is that the TIC owner borrows an amount equal to the net increase in value from converting from a TIC to a condo for the projected number of years to win the lottery without paying a fee (based on the increased probability of winning the lottery each subsequent year). If the net benefit from paying the fee is greater than the alternative described above, it is assumed that the TIC owner would opt to pay the fee.

For purposes of the analysis, we have assumed an average TIC value of \$500,000, based on the range of values in the KMA nexus study, and average recent TIC sales prices of approximately \$600,000 in the past two years.

The potential revenue generated by the proposed fee is dependent on several key variables summarized below, which also include the assumptions used in the analysis:

1. TIC Value (\$500,000 per unit assumed in this analysis)
2. Value Premium from converting TIC to Condo (15%, per the KMA study)
3. Conversion Impact Fee level (based on proposed ordinance, initially \$20,000)
4. Percent of owners willing to pay the fee, or the “take up rate” (to account for uncertainty, a range is presented, assuming 100%, 50%, and 30% of owners opt to pay the fee)
5. Cost to convert from TIC to Condo (\$10,900 per unit for permits and code compliance corrections, per the KMA study)

Exhibit A presents a summary of the potential revenue generated by the proposed Condominium Conversion Impact Fee, based on the above key assumptions. As indicated, the fee is estimated to generate from **\$7.4 million to \$24.6 million**, depending on the participation rate. The bottom of Exhibit A includes an estimate of the fee revenue for a range of TIC values, as well as the revenue generated assuming fees were set at a rate to maximize participation.

Estimated Property Tax and Property Transfer Tax

The incremental value from converting a TIC to a condominium is not realized until the property is sold. In other words, the conversion process itself is not an “assessable event” and will not generate any increased property taxes or property transfer taxes. Only when the property is transferred will tax revenue be generated, based on the value enhancement from converting a TIC to a condominium (again, assumed to be 15% for purposes of this analysis).

Exhibit B presents an estimate of potential tax revenue generated from conversion. The analysis makes the simplifying assumption that the market value of the TIC is equal to the current assessed value. The key assumption in this analysis is the percent of units sold after conversion (which triggers re-assessment and transfer taxes). The turnover rate of residential properties in San Francisco averaged about 5% per year, based on the average annual units sold from 1994 to 2011 divided by the owner-occupied housing inventory.

Applying this turnover rate to the incremental value added through conversion and the assumed “take up” rate provides an estimate of the total incremental value of condos sold each year. Applying the tax rates to this incremental value results in about \$40,000 in property taxes and

Memo – Condominium Conversion Fee

Page 3

\$50,000 in transfer taxes, assuming 100% take up rate and a \$500,000 base value, as indicated in Exhibit B.

If you have any questions, please contact me or you may call Kurt Fuchs on my staff, at 415-554-5369, or Kurt.Fuchs@sfgov.org.

Attachments

Exhibit A

1. Estimated Condominium Conversion Fee Revenue at \$500,000 Average TIC Value

| Lottery Group | Proposed Fee | % Discount from B2 Fee | 100% take up rate | | 50% take up rate | | 30% take up rate | |
|---------------|--------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | # Units Participating | Potential Fee Revenue | # Units Participating | Potential Fee Revenue | # Units Participating | Potential Fee Revenue |
| A6 | 4,000 | 80% | 253 | 1,012,000 | 127 | 506,000 | 76 | 303,600 |
| A5 | 8,000 | 60% | 324 | 2,592,000 | 162 | 1,296,000 | 97 | 777,600 |
| A4 | 12,000 | 40% | 350 | 4,200,000 | 175 | 2,100,000 | 105 | 1,260,000 |
| B3 | 16,000 | 20% | 440 | 7,040,000 | 220 | 3,520,000 | 132 | 2,112,000 |
| B2 | 20,000 | | 490 | 9,800,000 | 245 | 4,900,000 | 147 | 2,940,000 |
| Total | | | 1,857 | 24,644,000 | 929 | 12,322,000 | 557 | 7,393,200 |

Key Assumptions

- \$500,000 Average TIC value
- 15% Value premium from converting TIC to condo
- \$10,900 Average cost of condo conversion per unit (code compliance, permitting)
- 7.99% Annual interest rate

Note: 100% of units in each lottery group would participate if the net benefit from paying the fee is larger than net benefit of the alternative. The net benefit of paying the fee is a 15% increase in the value, minus the fee and average costs of condo conversion. The alternative to paying the fee is to borrow an amount equal to the increase in value that converting to a condo would provide for the number of years it would take to win the lottery without paying a fee (i.e. number of years until unit has been in lottery for seven years).

2. Estimated Condominium Conversion Fee Revenue and Participation at Range of Average TIC Values

| Current TIC Value | B2 Fee | # Units Participating | Revenue assuming take up rates of | | | Note |
|-------------------|----------|-----------------------|-----------------------------------|------------|-----------|-----------------------|
| | | | 100% | 50% | 30% | |
| \$300,000 | \$20,000 | 0 | - | - | - | |
| \$400,000 | \$20,000 | 577 | 3,604,000 | 1,802,000 | 1,081,200 | proposed B2 fee level |
| \$500,000 | \$20,000 | 1857 | 24,644,000 | 12,322,000 | 7,393,200 | |
| \$300,000 | \$12,200 | 1857 | 15,032,840 | 7,516,420 | 4,509,852 | revenue- |
| \$400,000 | \$17,700 | 1857 | 21,809,940 | 10,904,970 | 6,542,982 | maximizing B2 |
| \$500,000 | \$23,200 | 1857 | 28,587,040 | 14,293,520 | 8,576,112 | fee level |

Key Observations

Revenue are highly dependent on assumptions, particularly the assumed current value of TICs, the fee level, and participation rate.

Exhibit B

Property Tax and Transfer Tax Estimates to General Fund Based on Incremental Value of Converting TIC to Condo

| Number of Units Participating | Market/ Assessed Value - TIC | New Assessed Value - Condo | Incremental AV/ unit | Take Up Rate (% paying fee) | % to Sell After Conversion | Total Incremental Value of Condos Sold | Estimated Property Tax | Estimated Transfer Tax |
|-------------------------------|------------------------------|----------------------------|----------------------|-----------------------------|----------------------------|--|------------------------|------------------------|
| | | | | | | | | |
| <u>\$500k TIC Value</u> | | | | | | | | |
| 1,857 | \$500,000 | \$575,000 | \$75,000 | 100% | 5% | \$6,963,750 | \$40,000 | \$50,000 |
| 1,857 | \$500,000 | \$575,000 | \$75,000 | 50% | 5% | \$3,481,875 | \$20,000 | \$30,000 |
| 1,857 | \$500,000 | \$575,000 | \$75,000 | 30% | 5% | \$2,089,125 | \$10,000 | \$20,000 |
| <u>\$400k TIC Value</u> | | | | | | | | |
| 577 | \$400,000 | \$460,000 | \$60,000 | 100% | 5% | \$1,731,000 | \$10,000 | \$10,000 |
| 577 | \$400,000 | \$460,000 | \$60,000 | 50% | 5% | \$865,500 | \$5,000 | \$6,000 |
| 577 | \$400,000 | \$460,000 | \$60,000 | 30% | 5% | \$519,300 | \$3,000 | \$4,000 |

Key Assumptions

15% Value premium from converting TIC to condo; taxes estimated on this incremental value only.

5% Annual Residential Turnover rate (based on annual average residential units sold from 1994 to 2011 (6,000) divided by the City's owner-occupied housing inventory (125,000 units)). Source: Paragon Real Estate Group (based on MLS data); Dataquick; US Census, 2010.

Key Observations

Tax revenues will only be realized when converted units are sold, which are based on historic turnover for all property types. To the extent that newly converted condos turnover faster, the potential tax revenue will be realized sooner.

Youth Commission
 City Hall ~ Room 345
 1 Dr. Carlton B. Goodlett Place.
 San Francisco, CA 94102-4532



(415) 554-6446
 (415) 554-6140 FAX
 www.sfgov.org/youth_commission

YOUTH COMMISSION

MEMORANDUM

TO: Honorable Mayor Edwin M. Lee
 Honorable Members, Board of Supervisors

CC: Angela Calvillo, Clerk of the Board
 Honorable Members, Board of Education
 Richard Carranza, Superintendent, San Francisco Unified School District
 Greg Suhr, Chief of Police
 William P. Siffermann, Chief, Juvenile Probation Department
 Maria Su, Director, Department of Children, Youth and their Families
 Jason Elliott, Director of Legislative & Government Affairs, Mayor's Office
 Nicole Wheaton, Commissions & Appointments, Mayor's Office

FROM: Youth Commission

DATE: Wednesday, February 27, 2013

RE: Four Youth Commission actions: Questions regarding BOS file no. 120669. [Subdivision Code - Condominium Conversion Impact Fee]; resolutions urging the City not to equip juvenile probation officers with firearms and police officers with Tasers; and resolution regarding City/school district partnership on federal Deferred Action program for undocumented youth

At our regular meeting Tuesday, February 19, 2013, the Youth Commission voted to take no position on BOS file no. 120669 [Subdivision Code - Condominium Conversion Impact Fee]. The Youth Commission urges the Board of Supervisors to consider the following three issues in the ongoing negotiations regarding this proposed legislation:

- The average household income of the owners of Tenancies in Common (TIC) who would be eligible for the condo conversion bypass and fee proposed in this ordinance;
- How the most vulnerable San Franciscans—especially young people, people of color, seniors, queers, single mothers, dependent children and low-income people in general—living in eligible TIC's could be impacted by this legislation (we wonder if the City could undertake a study of these issues, which could be called an "equity impact analysis"); and
- What the long term impact of this legislation will be on affordability of housing.

At this same meeting, moreover, the Youth Commission adopted resolution 1213—AL10 *Urging the SFUSD to create a centralized process and facilitating the application process for students that are eligible for the Deferred Action for Childhood Arrivals (DACA) program and urging the Board of Supervisors and Mayor to work together with the SFUSD to support our undocumented students and transitionally aged youth.*

This resolution (attached) calls on the San Francisco Unified School District (SFUSD) to join with the City's Office of Civic Engagement and Immigrant Affairs (OCEIA) in publicizing the Deferred Action for Childhood Arrivals program, an Obama administration policy that provides the federal government with the discretion to defer deportation proceedings for undocumented young immigrants who meet certain qualifications. The resolution also asks the Mayor and the Board to do whatever possible to support our undocumented students and transitionally aged youth.

Please note that this resolution has already born fruit: many thanks to the SFUSD for already creating [this centralized web resource](#) for public school students who are eligible for Deferred Action!

In addition to this immigration-related resolution, the Youth Commission adopted two resolutions regarding criminal justice and law enforcement.

Resolution 1213—AL11 *Urging the Mayor and the Board of Supervisors to urge the San Francisco Juvenile Probation Department not to equip probation officers in the Serious Offender Program unit with firearms* is meant as a contribution to a policy discussion that is currently underway in the City. Last December, San Francisco Chief Juvenile Probation Officer William P. Siffermann announced he was reviewing his department's safety protocols for juvenile probation officers and was considering revising these protocols to include the provision of firearms for certain juvenile probation officers. Chief Siffermann said at the January 9 meeting of the Juvenile Probation Commission that he plans to present revised protocols in April of 2013.

This resolution acknowledges the Chief's need to revise safety protocols given the new public safety climate. At the same time, the resolution expresses the Youth Commission's steadfast opposition to any potential protocols that include providing firearms for juvenile probation officers.

In turn, resolution 1213—AL12 *Urging the Mayor and the Board of Supervisors to urge the San Francisco Police Department not to acquire stun weapons (Tasers) for police officers* draws on studies from Amnesty International and researchers at UCSF, as well as literature from the American Civil Liberties Union and the Lawyers Committee for Civil Rights, in urging the City Family not to move forward with the Police Chief's proposal to arm police officers with Tasers.

If you have any questions about these items or anything related to the Youth Commission, please don't hesitate to contact our office at (415) 554-6446 or your Youth Commissioner.

Miller, Alisa

From: Board of Supervisors
Sent: Tuesday, June 11, 2013 2:18 PM
To: BOS-Supervisors; Miller, Alisa
Subject: Files 120669 & 130480 - Veto proposed Condo Conversion Legislation

From: Rose Merryman [mailto:rose.merryman@gmail.com]
Sent: Tuesday, June 11, 2013 11:43 AM
To: Board of Supervisors
Cc: Rose Merryman
Subject: Urge veto of current proposed Condo Conversion Legislation

Dear Board of Supervisors,

The condo conversion proposal that is currently up for your vote should be vetoed.

The carefully worked initial Plan B condo conversion proposal was simply hijacked by the renter advocates and is very anti-home ownership. It punishes those that have faithfully been following the rules for many years.

If landlords need to be better behaved, there are many existing laws that can be used to ensure proper treatment for renters.

It is simply not fair to punish existing condo lottery members especially those without the deep pockets to immediately convert.

I strongly urge you to be the voice that represents all of San Francisco and veto this proposed legislation.

Best regards,
Rose Merryman
17 Ashbury Street

From: Board of Supervisors
Sent: Wednesday, June 05, 2013 3:02 PM
To: BOS-Supervisors; Miller, Alisa
Subject: File 120669 and 130480

From: jackbarry99@gmail.com [mailto:jackbarry99@gmail.com] **On Behalf Of** Jack Barry
Sent: Wednesday, June 05, 2013 11:01 AM
To: Board of Supervisors
Cc: TIM COLEN
Subject: Gentlemen....

Real Estate Sales & Management.
Full Service. Half the Cost.
jackbarry99@gmail.com

The newly amended CondoConversion law is counter-productive to "housing production"..

Incentives work better than "controls", as a rule, and in this case.

The argument that "every conversion makes an owner out of a renter... is largely true.

Lets look at ways of adding new units, that, by dedication, could remain, forever....as rental housing... (Dream "outside the box.)

jack barry



SAN FRANCISCO
CHAMBER OF COMMERCE

File 120669
Bos-11
cpage

April 25, 2013

The Honorable David Chiu, President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room #244
San Francisco, CA 94102

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 APR 26 PM 3:23

RE: Oppose: File # 120669, Condo Conversion Impact Fee

Dear President Chiu;

The San Francisco Chamber of Commerce, representing over 1500 local businesses, opposes the current version of Supervisor Farrell's Condo Conversion Impact Fee legislation (File # 112669) that was approved by the Land Use Committee on April 22, 2013.

The Chamber supported Supervisor Farrell's earlier draft of the legislation because it achieved its intent to allow Tenancy-in-Common (TIC) owners a one-time opportunity to convert their units to condominiums, thereby extricating themselves from high interest rate loans and years in the conversion lottery. The earlier draft would have stabilized the housing market and grown the affordable housing trust fund while putting disposable cash in the hands of San Francisco residents to spend locally. This would have benefited individual homeowners and help strengthen San Francisco's economy.

The current version of Supervisor Farrell's legislation that will go before the full Board next month reduces and even eliminates many of the benefits the earlier draft provided. It imposes a 10 year moratorium on the conversion lottery, reduces the number of TIC owners who can participate in the bypass, and prevents anyone who purchased a TIC within the last year to participate. Further, it imposes rent control on newly-converted condominiums, which is in violation of state law.

The Chamber lauds Supervisor Farrell for attempting to do the right thing for TIC owners. We hope that you will continue to work with both homeowner and tenant activists to amend the current legislation into that which TIC owners, the full Board of Supervisors and the Chamber can support.

Sincerely,

Jim Lazarus
Senior Vice President of Public Policy

cc: Clerk of the BOS; Distribute to all Supervisors

BOS-11

D5 Action
2001 Oak Street
San Francisco CA 94117
info@D5Action.org

415.752.8520 p

415.418.6103 f

File 120669
cpay

April 24, 2013

Board of Supervisors RE: TIC-Condo Legislation

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 APR 25 AM 11:54

Dear Supervisors:

D5 Action opposes the Farrell legislation as an attack on Rent Control. Please vote against it.

Cordially,



Teresa M. Welborn
www.D5Action.org

Miller, Alisa

From: Board of Supervisors
Sent: Tuesday, April 23, 2013 5:48 PM
To: BOS-Supervisors; Miller, Alisa
Subject: File 120669: Condo Conversion Legislation

From: qtbird@gmail.com [mailto:qtbird@gmail.com] **On Behalf Of** Kathy Mitchell
Sent: Tuesday, April 23, 2013 3:58 PM
To: Farrell, Mark; Wiener, Scott; Avalos, John; Breed, London; Chiu, David; Cohen, Malia; Kim, Jane; Mar, Eric (BOS); Tang, Katy; Yee, Norman (BOS)
Cc: Board of Supervisors
Subject: Condo Conversion Legislation

Supervisors:

Please remove or revise the lawsuit suspension amendment from the condo conversion legislation.

I'm an owner occupant in a 5 unit TIC. We are prepared to apply for conversion the first day possible. We estimate our expenses will be \$20,000 - \$30,000 to start the application process. This does NOT count the bypass fee.

These expenses, paid to city agencies, attorneys, surveyors and other professionals will NOT be refunded to us in the event the legislation is challenged in court.

We are working families who cannot afford to throw this money out.

Please remove or somehow restructure this single portion of the legislation so that participating will not put our families at further risk and that we are able to actually benefit.

Thanks,
Kathy Mitchell
District 3

Dear District Supervisors,

I urge you to reject the proposed Condominium Conversion Ordinance introduced by Supervisors Mark Farrell and Scott Wiener, file no. 120669.

Converting a Tenancy in Common unit to a condominium does not create new housing. It only converts a unit from one type of ownership to another, and makes it easier to sell. And the proposed fees for converting a TIC to a condo do not come close to providing the needed funds to build replacement rental units. Finally, the proposed ordinance endangers San Francisco's stock of rent-controlled units. By suspending the city's annual cap on condo conversions, the legislation would result in a huge increase in evictions and conversions as the real estate industry realizes that San Francisco no longer will strictly regulate condo conversions. This is very bad news in the midst of the current dot com boom and at a time of record high rents.

I fear that this will increase the demand for low-income housing, such as the building I live in. The organization that runs my housing already has a wait list of over 9,700 people. This is already an extremely competitive process with no guarantees of securing housing. What will happen once we lose such a large number of many controlled apartments?

Instead of enacting this ordinance, the City of San Francisco should pursue policies that protect rent stabilization and rent-stabilized units, which are a housing type that can't be expanded (by law), and support the construction of more affordable housing, including family-size units.

4/15/2013

Total of 107 petitions
were received in Committee

File No. 120669
4/15/13 Received
in Committee

Good afternoon Supervisors.

My name is Alam Ara Begum. I work as a desk clerk at the McAllister Hotel, operated by Conard House, a non-profit. I am originally from the great and Independent, Bangladesh, where people always use their voice for civil rights.

I am here in support of the tenants of San Francisco. This is a very beautiful and rich city. The best thing about San Francisco is that there is a great diversity of cultures, and people are able to live here ^{selfly} with dignity.

People here are very kind, friendly, and willing to help one another; but San Francisco is becoming less affordable for many people, because it is very expensive to live in this city. We must join together and support affordable housing with policies like rent controlled units.

Converting a TIC into a condominium encourages the evictions in rent-controlled housing, and could lead to more homeless people and higher competition for affordable housing.

Everyone deserves to have a home, and we support people's needs.

Bangladesh is a very small country, populated by people who are mostly poor. People sometimes become homeless after natural disasters, such as floods or tornados, but no government law would cause people to become homeless.

America is the most affluent country in the world. ^{we} My family ~~and I~~, are very happy and lucky. We had an opportunity to come here ^{from different countrys} and make our life better.

However, I was shocked to see so many homeless people living on dirty streets in San Francisco. ~~If we support condo conversion,~~ I fear that more people will be forced out on to the streets. We must not convert TIC housing we already have. Wouldn't it be a better idea to convert some of the vacant buildings here in San Francisco into affordable housing??

As district Supervisors for San Francisco we elected you to take a responsibility to support us in creating a better life for our families. Please do not support the condo-conversion legislation, and instead utilize your authority to help create more affordable housing for our ^{People} citizens who need it.

650 Eddy St
AWA # 504
S.F. CA - 94109

217

Thank you
Begum
Alam Ara Begum
415-864-0705

Miller, Alisa

From: Board of Supervisors
Sent: Friday, April 12, 2013 1:04 PM
To: Miller, Alisa
Subject: File 120669: TIC/CONDO CONVERSIONS

From: terrrie frye [mailto:grannygear1@yahoo.com]
Sent: Thursday, April 11, 2013 12:37 PM
To: Board of Supervisors
Cc: Board of Supervisors; Yee, Norman (BOS); Campos, David; davidcamposesq@yahoo.com; Chiu, David; davidchiu70@gmail.com; emailericmar@gmail.com; Mar, Eric (DPH); Kim, Jane; avalos_john@hotmail.com; Avalos, John; Cohen, Malia; Farrell, Mark; Wiener, Scott; scott.wiener@yahoo.com; Breed, London; Tang, Katy
Subject: TIC/CONDO CONVERSIONS

Dear Supervisor,

Please don't let this Wiener/Farrell legislation pass. The soul of San Francisco is being destroyed by developers and speculators.

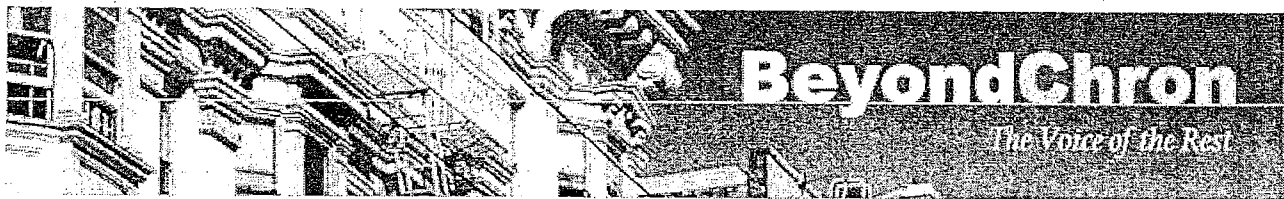
Please read this and then tell us again how these condo conversions are not evicting long-term tenants!!!

<http://beyondchron.org/news/index.php?itemid=11208>

Sincerely,

Terrie Frye

The light at the end of the tunnel may be an oncoming train.



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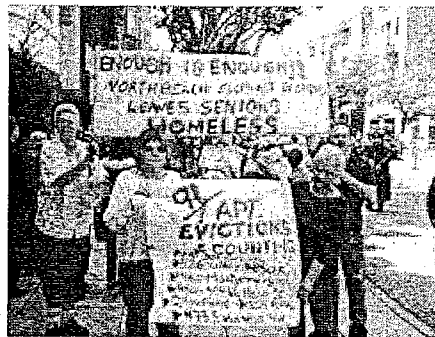
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How Bad Is the Job Market For



Ellis Eviction Notice Served on 97-Year Old Tenant As Speculators Seek Weaker Condo Law

by Randy Shaw, Apr. 11, 2013

NT

On April 15, the Board of Supervisors Land Use Committee again considers legislation to overturn San Francisco's thirty year old condo conversion law.

On April 8, 97 year old Mary Phillips became the latest victim of this proposal, receiving an Ellis Act eviction notice for her apartment at 55 Dolores where she has lived since 1976. The building is owned by Urban Green Investments, which has used evictions and tenant buyouts under pressure to vacate rental units and replace them with TIC's (it is also harassing longtime tenants of a nearby building at 49-53 Guerrero). If Mayor Lee and the Supervisors needed further evidence before acting to deter tenant displacement for future condo conversions, the targeting of Mary Phillips is it.

As tenant advocates predicted, the prospect of San Francisco allowing unlimited condo conversions now and potentially into the future has spawned a new wave of speculator evictions. An attorney for the Tenderloin Housing Clinic, which I head and is the publisher of BeyondChron, was told by a tenant facing an Ellis Act eviction that her landlord said that the Wiener-Farrell condo conversion measure showed that times were changing in San Francisco and that restrictions on conversions would soon be a thing of the past.

That's why tenant advocates have strongly fought the Wiener-Farrell proposal. San Francisco rent control laws are preempted by the Ellis Act, but the city can create major disincentives. The Wiener-Farrell measure does exactly the opposite, encouraging the evictions of 97 year old Mary Phillips and other elderly tenants.

Urban Green=SF Nightmare

The ownership group behind much of this new wave of Ellis evictions and tenant harrassment has chosen the environmentally conscious name of "Urban Green Investments" to cloak their destructive treatment of human beings. In a recent press release, its CEO David McCloskey touts how his firm "is giving back

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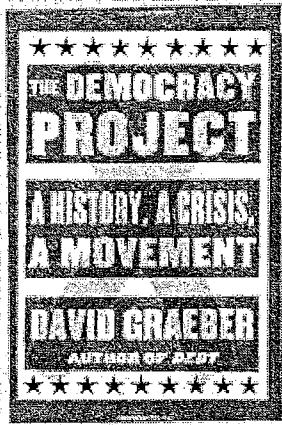
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Updated Thursdays

to the community through employee volunteerism.”

But nobody’s fooled. Urban Green has no problem making money by wrecking the lives of the most vulnerable, and if it really wanted to “give back” to San Francisco, it would change its business practices or get out of town.

The Tenderloin Housing Clinic and the Chinatown Community Development Center have been working to help tenants facing Urban Green evictions across the city. This includes a 14-unit property filled with longterm tenants at 566 Lombard. The three unit building at 49-53 Guerrero where Urban Green has been trying to harass tenants to move includes elderly Chinese American immigrants who have lived at the property for over thirty years.

Gentrifying Supervisorial District 3 is a primary Urban Green goal. It has sought to and/ or displaced tenants at an eight unit building 1330 Mason Street and a 12-unit property at 943 Jackson Street. North Beach and Chinatown are prime targets for Urban Green because they include longterm tenants paying well below market rents; these properties are attractive to speculators lacking the moral compass that leads most investors to avoid such properties.

Urban Green uses agent Michael Karpowicz to contact tenants and encourage them to take money to move. The implicit threat is the issuance of a formal Ellis eviction notice. Tenants describe Karpowicz’s repeated contacts as harassment, and it often works. This enables Urban Green to often avoid filing Ellis Act notices while still vacating the property.

Urban Green joins other San Francisco speculator groups over the past decades that use quick and dirty schemes to make money through displacement and tenant hardship. They may succeed where others have failed, though their leadership may become uncomfortable when the going gets hotter.

Moment of Truth

San Francisco faces a moment of truth. Our elected officials must decide to either facilitate Urban Green’s displacement agenda, or reject it.

Tenant advocates recognize the needs of current TIC owners, but oppose legislation that eliminates three decades of tenant protections and incentivizes tenant displacement. Urban Green’s aggressive actions make it even more critical that a strong disincentive for future condo conversions is part of any legislation assisting those currently eligible for the condo lottery.

When the new condo law was introduced earlier this year, speculators saw a clear path to passage. But their ride has become rockier. A much better informed group of Supervisors is examining how the city should respond to the overheated housing market, which should ultimately result in legislation that increases tenant protections against future evictions and harassment rather than encouraging such actions.

Miller, Alisa

From: Board of Supervisors
Sent: Tuesday, April 09, 2013 12:15 PM
To: BOS-Supervisors; Miller, Alisa
Subject: File 120669: Condo Conversion

From: Cat Bell [mailto:bellacatus@yahoo.com]
Sent: Sunday, April 07, 2013 10:24 PM
To: Board of Supervisors
Cc: Breed, London
Subject: Condo Conversion

I oppose sweeping changes to Land Use ordinances to benefit a few without considerable public hearings, input, and discussion.

Sincerely,
Cathy Bellin
516 Clayton Street
San Francisco, CA

Miller, Alisa

From: Board of Supervisors
Sent: Friday, February 01, 2013 10:30 AM
To: Miller, Alisa
Subject: File 120669: TIC-Condo Conversions

From: Lee Goodin [mailto:lgoodin1@mindspring.com]
Sent: Tuesday, January 29, 2013 2:45 PM
To: Board of Supervisors; Chiu, David; Campos, David; Cohen, Malia; Farrell, Mark; Wiener, Scott; Kim, Jane; Breed, London; Mar, Eric (BOS); Avalos, John; Chu, Carmen; Yee, Norman (BOS); letters
Cc: CW Nevius; matierandross
Subject: TIC-Condo Conversions

Supervisors and Editor,

When we decided to move back to the city ten years ago, we looked at a number of TICs (tenants-in-common) while house-hunting. All were owner-occupied by young couples with young children. They were stuck with joint mortgages with the other owner(s)/occupier(s) – loans generally with higher interest rates than for condos. These are the young folks the city wants to keep in SF – but will not let them fully pursue the American dream of homeownership. Can someone please tell me just why the tenants' union has an iron in this fire? By the way, a \$20,000 conversion fee is awfully steep for young families with kids. And, oh yeah, we bought a condo in North Beach.

Lee Goodin

600 Chestnut Street #408

SF CA 94133

415 346-4335

lgoodin1@mindspring.com

Miller, Alisa

From: joseph chmielewski [jcin506@yahoo.com]
Sent: Monday, January 28, 2013 12:11 PM
To: Chiu, David
Cc: Miller, Alisa
Subject: No on Condo Bypass Legislation

Jan 28, 2013

Dear Supervisor Kim and Chiu,

Please vote to table or otherwise kill the Ofarrell/Wiener Condo Bypass Legislation at today's Land Use Committee meeting.

As a district 6 voter and San Francisco tenant for 31 years I have seen how the whole TIC/Condo conversion dynamic has permanently removed rent-controlled housing from the finite stock that exists. This housing is crucial for people like me and thousands of other low -- moderate income earners making \$35k a year or more. Income earners like me can't qualify for the low-income housing this legislation will create money for. For moderate income earners like me it is crucial that the finite stock of rent-controlled housing remain intact.

Lifetime leases are a poor substitute for rent controlled buildings. Are lifetime leases legal?

Please refer to emails I sent both of you over the weekend, and again please vote to table or otherwise kill this legislation.

Thank you.

Sincerely,

Joe Chmielewski
50 Golden Gate Ave. #506
SF, 94102
415.440-3152
jcin506@yahoo.com

January 24, 2013

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2013 JAN 24 PM 2:44

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

Re: File #120669 Condominium Conversion Impact Fee
Public Testimony

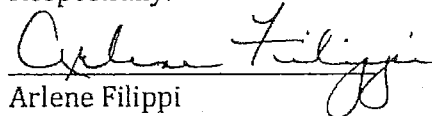
Dear Supervisors Wiener and Kim, President Chiu and Ms. Cavillo,

I was born and raised in San Francisco and have owned a home in this City for many years. I am in favor of the Condominium Conversion Impact Fee and ask that you support this proposal. I ask this for the following reasons:

- The Proposal will offer a solution to the lottery backlog. I was very much surprised to learn that many Tenancy-In-Common Owners have participated in the condo conversion lottery for more than ten years and have had no success.
- The Proposal will allow Tenancy-In-Common owners the opportunity to refinance into fixed 30 year mortgages with predictable payments. I understand that financing or refinancing for TIC's is extremely difficult and that the interest rates are high on such loans. However, the rate for condos is much lower. This will undoubtedly prevent foreclosures and preserve our neighborhoods.

I ask that you support this legislation.

Respectfully:



Arlene Filippi
42 Wood Street
San Francisco, CA 94118

January 23, 2013

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

RE: File #120669 Condominium Conversion Impact Fee
Public Testimony

Dear Supervisors Wiener and Kim, President Chiu and Ms Cavillo,

As a member of an owner-occupied TIC group, I urge you to vote in support of the Condominium Conversion Impact Fee. This legislation will allow TIC owners, who are often entry level buyers in San Francisco, the chance to refinance into fixed 30 year mortgages with stable predictable payments instead of short-term adjustable mortgages that are the only option for financing TICs. This will allow us to keep our properties, prevent foreclosures and stabilize our neighborhoods.

The proposed fees will help to finance low income housing and tenants will be protected. This is a win-win for everyone in San Francisco. Please support this important piece of legislation.

Thank you,

Maria V. Rivero

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 JAN 24 AM 8:54
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January 23, 2013

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

RE: File #120669 Condominium Conversion Impact Fee
Public Testimony

Dear Supervisors Wiener and Kim, President Chiu and Ms Cavillo,

As a member of an owner-occupied TIC group, I urge you to vote in support of the Condominium Conversion Impact Fee. This legislation will allow TIC owners, who are often entry level buyers in San Francisco, the chance to refinance into fixed 30 year mortgages with stable predictable payments instead of short-term adjustable mortgages that are the only option for financing TICs. This will allow us to keep our properties, prevent foreclosures and stabilize our neighborhoods.

The proposed fees will help to finance low income housing and tenants will be protected. This is a win-win for everyone in San Francisco. Please support this important piece of legislation.

Thank you,
Lois Wander

Lois Wander

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2013 JAN 24 AM 8:55
MLL



**SIERRA
CLUB**
FOUNDED 1892

120669

BOS-11

9/11/12 Received via
3:34pm email

**San Francisco Group, Sierra Club,
85 Second Street, 2nd Floor, Box SFG, San Francisco CA 94105-3441**

September 9, 2012

Dear San Francisco Board of Supervisors:

The Sierra Club opposes the proposed Condominium Conversion Ordinance introduced by Supervisors Mark Farrell and Scott Wiener (File No. 120669) and urges its rejection by the San Francisco Board of Supervisors. The primary reasons for the Sierra Club's opposition are as follows:

- Converting a Tenancy in Common unit ("TIC") to a condominium ("condo") doesn't create new housing. It only converts a unit from one type of ownership to another, and makes it easier to sell.
- The proposed fees for converting a TIC to a condo (\$4,000 to \$20,000) do not come close to providing the needed funds to build replacement rental units.
- The proposed ordinance endangers San Francisco's stock of rent-stabilized (commonly referred to as rent-controlled) units. While the ordinance does include a provision for a lifetime lease for existing tenants, those leases would leave tenants no less vulnerable to eviction, and moreover, once that lease expires and the condo is sold, another unit of housing with rent-stabilization protections is lost forever.

Instead of enacting this ordinance, the Sierra Club believes that the City of San Francisco should pursue policies that:

- Protect rent stabilization and rent-stabilized units, which are a housing type that can't be expanded (by law).
- Support the construction of more affordable housing, including family-size units.

We urge the Board to reject this proposal and instead look for better solutions to the challenge of providing of housing for San Francisco families.

Yours truly,

Rebecca Evans

Chair

cc: Mayor Edwin Lee

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

NOTICE OF PUBLIC HEARING

LAND USE & ECONOMIC DEVELOPMENT COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN THAT the Land Use and Economic Development Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

Date: Monday, January 28, 2013

Time: 1:00 p.m.

Location: Legislative Chamber, Room 250, located at City Hall
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

Subject: File No. 120669. Ordinance amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for, but not being selected or participating in, the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and adopting environmental findings.

If the legislation passes, a one-time fee on condominium conversions would be imposed to allow buildings to by-pass the 2013 lottery if they either participated, but lost, in the 2012 condominium lottery or could have qualified for the 2012 lottery, but elected not to do so. The fee would be \$20,000 per unit, and for buildings that participated in the 2012 lottery, the fee would be reduced by 20% for every year before 2012 that the building participated in the lottery. The fee revenues would be placed in the Citywide Affordable Housing Fund.

In accordance with Section 67.7-1 of the San Francisco Administrative Code, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made a part of the official public record and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, Room 244, City Hall, 1 Dr. Carlton Goodlett Place, San Francisco CA 94102. Information relating to the proposed fee is available in the Office of the Clerk of the Board and agenda information relating to this matter will be available for public review on Friday, January 25, 2013.

Angela Calvillo, Clerk of the Board

Miller, Alisa

From: glenda_sobrique@dailyjournal.com
Sent: Wednesday, January 09, 2013 1:32 PM
To: Miller, Alisa
Subject: Confirmation of Order 2431361 for AM - File 120669 Fee Ad 01.28.13

Dear Customer:

The order listed below has been received and processed. If you have any questions regarding this order, please contact your ad coordinator or the phone number listed below.

Customer Account Number: 120503
Type of Notice : GPN - GOVT PUBLIC NOTICE
Ad Description : AM - File 120669 Fee Ad 01.28.13
Our Order Number : 2431361
Newspaper : SAN FRANCISCO CHRONICLE-CITY&CO. 10%
Publication Date(s) : 01/14/2013,01/21/2013

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Alisa Miller
S.F. BD OF SUPERVISORS (OFFICIAL NOTICES)
1 DR CARLTON B GOODLETT PL #244
SAN FRANCISCO, CA 94102

COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE
Ad Description AM - File 120669 Fee Ad 01.28.13

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO CHRONICLE. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the Clerk of the Board. Publication date(s) for this notice is (are):

01/14/2013 , 01/21/2013

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CNS 2431361

NOTICE OF PUBLIC HEARING LAND USE & ECONOMIC DEVELOPMENT COMMITTEE SAN FRANCISCO BOARD OF SUPERVISORS

JANUARY 28, 2013 - 1:00 PM
LEGISLATIVE CHAMBER, ROOM 250,
CITY HALL
1 DR. CARLTON B. GOODLETT PL,
SAN FRANCISCO, CA

NOTICE IS HEREBY GIVEN THAT the Land Use and Economic Development Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard. File No. 120669. Ordinance amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants, and adopting environmental findings.

If the legislation passes, a one-time fee on condominium conversions would be imposed to allow buildings to bypass the 2013 lottery if they either participated, but lost, in the 2012 condominium lottery or could have qualified for the 2012 lottery, but elected not to do so. The fee would be \$20,000 per unit, and for buildings that participated in the 2012 lottery, the fee would be reduced by 20% for every year before 2012 that the building participated in the lottery. The fee revenues would be placed in the Citywide Affordable Housing Fund. In accordance with Section 67.7-1 of the San Francisco Administrative Code, persons who are unable to attend the hearing on this matter may submit written comments to the Clerk of the Board prior to the time the hearing begins. These comments will be made a part of the official public record and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, Room 244, City Hall, 1 Dr. Carlton Goodlett Place, San Francisco CA 94102. Information relating to the proposed fee is available in the Office of the Clerk of the Board and agenda information relating to this matter will be available for public review on Friday, January 25, 2013.
Angela Calvillo, Clerk of the Board



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BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Youth Commission
Attn: Mario Yedidia, Director

FROM: Alisa Miller, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: February 14, 2013

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed ordinance, introduced by Supervisor Farrell on June 12, 2013:

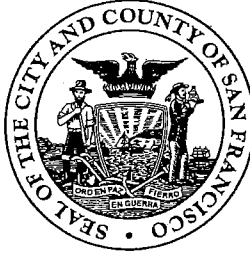
File No. 120669

Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion impact fee applicable to buildings participating but not being selected in the 2012 or 2013 condominium conversion lotteries only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and adopting environmental findings.

This matter will be heard in Committee on February 25, 2013 at 10:00 a.m. in the Legislative Chamber.

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.

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
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June 20, 2012

File No. 120669

Bill Wycko
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Mr. Wycko:

On June 12, 2012, Supervisor Farrell introduced the following proposed legislation:

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

This legislation is being transmitted to you for environmental review, pursuant to Planning Code Section 306.7(c).

Angela Calvillo, Clerk of the Board

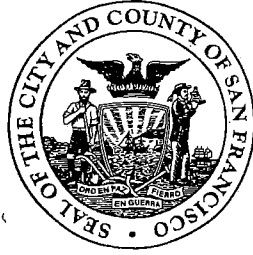
A handwritten signature in cursive script that reads "Alisa Miller".

By: Alisa Miller, Committee Clerk
Land Use & Economic Development Committee

Attachment

c: Monica Pereira, Environmental Planning
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, Controller
John Rahaim, Director, Planning Department
Vivian Day, Director, Department of Building Inspection
Mohammed Nuru, Director, Department of Public Works

FROM: Alisa Miller, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: June 20, 2012

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Supervisor Farrell on June 12, 2012, which is being forwarded to your department for review.

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

Please note, on Page 1, Lines 19-20, there is a reference to a "report on the fees." If your department is responsible for providing this report, please forward it to me at your earliest convenience.

If you have any additional reports or comments 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: Carolyn Jayin, Department of Building Inspection

Miller, Alisa

From: Johnston, Conor [conor.johnston@sfgov.org]
Sent: Monday, June 10, 2013 5:29 PM
To: BOS-Everyone
Subject: Condo Conversion Amendment Language
Attachments: Breed, Poison Pill, highlighted, 6-13.docx

Supervisors, Staff,

Attached is the language for Supervisor Breed's proposed amendment to the poison pill/non-severability clause of the condo conversion bill.

We've had so many rounds of amendments that the double underline has lost some efficacy, so for clarity I have highlighted the new language in our amendment.

Here is a brief summary of the amendment:

Provides a 1 year period after the filing of a lawsuit for existing TIC owners to apply for conversion.

- Currently if someone files a lawsuit on day 1, no one will be able to convert, potentially for the full 10 years.
- No TIC currently has an application in place, not even previous lottery participants.
- Sup. Breed's proposed 1 year interim allows the 1st tranche, the most senior, eligible owners to apply for conversion after the suit is filed.
- Then, per Supervisor Chiu's previous amendment, there is a 180 day period for the department to process those applications. (365 days for applications plus 180 days for processing = 545 days total)
- With this amendment, no matter what, the legislation will help at least the most senior current TIC families.

After this 1 year interim (and the 180 day processing), there is no additional converting during the litigation.

Please contact me or Supervisor Breed with any questions.

Conor Johnston
Office of Supervisor London Breed
415-554-6783

Supervisor Chiu's Amendments to Item #8 on Condominium Conversion Impact Fee ✓ ACCEPTED
May 20, 2013

Additional Findings

- Added more findings to clarify the Board's intent to adopt the legislative program

Transfer of Ownership

- Allow existing TIC owners waiting to apply for the expedited conversion process to transfer ownership of their units without losing eligibility for conversions.

Expedited Conversion

- Extend the conversion process for a seventh year to add recently formed TICs that were owned and occupied in the one year period before April 15, 2013 or were under contract before April 15, 2013 but had not closed escrow.
- Allow the most senior pool of applicants for the 2013 lottery to convert without additional conditions.

"Peskin" Buildings on 10-Year Hold

- Establish a process for buildings that have completed the Peskin legislation's 10-year hold on conversions to convert to condominiums either through the expedited process or through the future lottery.

Lifetime Leases

- Simplify and clarify the procedural requirements for owners to comply with life time lease provisions.

Evictions under the Future Lottery

- Accommodate owners of buildings in the future lottery by allowing one Owner-Move-In eviction per building by owners and allows evictions based upon orders by DBI to vacate units because of the need to demolish the unit or other safety issues.

Suspension with Lawsuit

- Clarify section addressing litigation to allow conversions to continue for a period of time even in the event of a lawsuit challenging the law and, should the City lose the lawsuit, to assure that the ten year suspension of the lottery remains in place. While the expedited conversion program itself would be tolled during the lawsuit, if the City successfully defends the lawsuit, the Expedited Conversion program would resume.

Most senior buildings that lost in the 2013 Condominium Conversion Lottery

- Add a special process to allow these buildings, representing 19 units total, to convert beginning on January 1, 2014 independent of new procedures established in the proposed legislation.

Summary of Amendment of the Whole
Condominium Conversions
April 15, 2013

File No. 120669
4/15/13 Amendments
by Supervisor Chiu

Creation of Expedited Conversion Process

- Participants in 2012 and/or 2013 lottery would be able to convert by paying the \$20,000 condominium conversion fee (with discounts for years in lottery) over a 2-year period.
 - Lottery participants who have been owners for 5 years or more would be eligible for conversion during the first year of the expedited program.
 - All other lottery participants would be eligible for conversion in the second year of the expedited program.
- Beginning with the third year of the expedited program, and continuing through year six, any TIC as of April 15, 2013 that meets existing numerical owner occupancy requirements (1 owner occupant for 2-4 unit buildings; 3 owner occupants for 5-6 unit buildings) would be eligible for conversion once they meet a six-year owner occupancy requirement.

Suspension of the Lottery

- The lottery shall be suspended for a minimum of ten years.
- The maximum period of suspension will be the number of converted units divided by 200 (the current annual number under the lottery).
- If the City produces affordable housing units beyond both the 300 per year envisioned under 2012's Proposition C (Housing Trust Fund) and the number of converted units, the suspension could be closer to 10 years than the maximum described above.
 - For example, if 2,400 units convert under the expedited process, the maximum length of the suspension of the lottery would be 12 years. But if 5,400 affordable units (3,000 Prop C plus 2,400 replacement units) were built in 10 years, the lottery would resume.

Adjustments to Future Lottery

- Once the lottery resumes, only buildings with 4 units or less would be eligible (5 and 6 unit buildings are currently eligible).
- The owner occupancy requirements would increase to 2 owner occupants for 3-unit buildings and 3 owner occupants for 4 unit buildings.

Lifetime Leases

- Requires written and recorded lifetime leases and extends the leases to disabled and catastrophically ill household members.

Deferral of Fee Payment

- Provides for an applicant to request deferment of fee payment if under 120 percent of Area Median Income.

Public Review of Conversion Applications

- Strengthens public review of conversion applications by providing for possibility of a Department of Public Works hearing.

Suspension with Lawsuit

- If a lawsuit is filed against the legislation, the expedited conversion process is suspended until a final legal determination is made.

Caldeira, Rick

From: Power, Andres
Sent: Wednesday, June 12, 2013 1:56 PM
To: Calvillo, Angela
Cc: Caldeira, Rick; Wiener, Scott
Subject: RE: Sponsorship Name Removal Request - File No. 120669

Hi Angela,

Supervisor Wiener would like to request that his name be removed as a co-sponsor of File No. 120669.

Please let me know if you have any questions.

Thanks,

Andres

Andres Power
Office of Supervisor Scott Wiener
(t) 415-554-6968

From: Calvillo, Angela
Sent: Wednesday, June 12, 2013 1:14 PM
To: Kelly, Margaux
Cc: Caldeira, Rick; Montejano, Jess; Stefani, Catherine; Wiener, Scott
Subject: RE: Sponsorship Name Removal Request - File No. 120669

Thank you kindly, will do.
Angela

Angela Calvillo
Clerk of the Board

From: Kelly, Margaux
Sent: Wednesday, June 12, 2013 01:06
To: Calvillo, Angela
Cc: Caldeira, Rick; Montejano, Jess; Stefani, Catherine
Subject: Sponsorship Name Removal Request - File No. 120669

Angela,

Supervisor Farrell would like to request that his name be removed as a sponsor of File No. 120669.

Please let me know if you have any questions.

Thanks,
Margaux

Caldeira, Rick

From: Kelly, Margaux
Sent: Wednesday, June 12, 2013 1:06 PM
To: Calvillo, Angela
Cc: Caldeira, Rick; Montejano, Jess; Stefani, Catherine
Subject: Sponsorship Name Removal Request - File No. 120669

Angela,

Supervisor Farrell would like to request that his name be removed as a sponsor of File No. 120669.

Please let me know if you have any questions.

Thanks,
Margaux

Margaux Kelly
Legislative Aide
Office of Supervisor Mark Farrell
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Phone: (415) 554-7752
Fax: (415) 554-7843

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

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

- 1. For reference to Committee:
- An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee:
- 4. Request for letter beginning "Supervisor inquires"
- 5. City Attorney request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No.
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Subject:

The text is listed below or attached:

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

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

- 1. For reference to Committee:
An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee.
- 3. Request for hearing on a subject matter at Committee:
- 4. Request for letter beginning "Supervisor inquires"
- 5. City Attorney request.
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- 8. Substitute Legislation File No.
- 9. Request for Closed Session (attach written motion).
- 10. Board to Sit as A Committee of the Whole.
- 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Subject:

The text is listed below or attached:

Signature of Sponsoring Supervisor:

For Clerk's Use Only:

