

LEGISLATIVE DIGEST

[Administrative Code - Community Opportunity to Purchase Act]

Ordinance amending the Administrative Code to require sellers of multifamily residential buildings to provide a new right of first offer and right of first refusal to qualified nonprofit organizations if a multifamily residential building is not under contract or remains unsold after one year and after each year thereafter; require sellers to provide additional disclosures to qualified nonprofit organizations; provide information to current tenants, and assist qualified nonprofits with due diligence; and allow multifamily residential buildings acquired by qualified nonprofit organizations under the Community Opportunity to Purchase Act to convert to a limited equity cooperative under Subdivision Code, Division 11.

Existing Law

Chapter 41B of the San Francisco Administrative Code (the “Community Opportunity to Purchase Act” or “COPA”) requires certain owners of multifamily residential rental buildings (“Building”) to provide qualified nonprofit organizations (a “QNP”) with written notice of such owners intent to sell their Buildings. If a QNP expresses interest in purchasing a Building intended for sale, the owner of the Building must provide the QNP with: (1) information about the Building, and (2) the right to submit the first offer on the Building. If the Building owner and QNP cannot come to an agreement, then the Building owner may offer the Building for sale to any prospective purchaser, but the QNP that provided an offer will have a right of first refusal to match any offer by a prospective purchaser. The Building owner must provide the QNP with the terms and conditions of the offer by the prospective purchaser. If any QNP did not receive written notice of an owner’s intent to sell a Building and was not able to express interest or an offer, such QNP will have the right of first refusal to match an offer by the prospective purchaser. If a QNP acquires a Building under COPA, such QNP must record a restriction against the Building to maintain the Building as affordable rental housing in perpetuity.

Amendments to Current Law

The proposed ordinance would amend COPA to require owners to annually provide each QNP with a new opportunity to submit an offer for a Building if: (1) such Building is not under a binding contract to sell or remains unsold within one year of the initial notice of intent to sell, and (2) the owner continues to intend to sell the Building. If the owner elects not to sell the Building, the owner must provide each QNP with written notice that the Building is no longer for sale, but must comply with COPA if the owner intends to sell the Building again. In addition, the proposed ordinance would prohibit a Building owner from any in-person viewings or physical inspection of the Building to non-QNP purchasers prior to giving each QNP an opportunity to purchase the Building under COPA.

The proposed ordinance would clarify that each QNP must keep information obtained from an owner confidential to the extent required by law. In addition, the proposed ordinance would expand the type of information about a Building that must be provided to a QNP that expresses interest in submitting an offer. This same information must be provided to a QNP that did not receive an opportunity to submit an offer and has a right of first refusal for a Building, and the owner must allow the QNP to inspect the Building.

The proposed ordinance clarifies an owner's obligation to provide a QNP with the same terms and conditions of a third-party offer for a Building under COPA's right of first refusal, as well as providing a QNP such terms in writing and any information about the Building that was provided to the prospective purchaser of the Building.

The proposed ordinance would permit a QNP to convert a Building from rental to an affordable limited equity cooperative under San Francisco Subdivision Code Division 11.

Last, the proposed ordinance would correct certain drafting errors.

n:\legana\as2020\2100044\01471894.docx