

File No. 14008 140008

Committee Item No. 4
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date: 3/12/2014

Board of Supervisors Meeting Date: _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Victor Young Date March 7, 2014
Completed by: _____ Date _____

AMENDED IN COMMITTEE

2/5/14

FILE NO. 140008

ORDINANCE NO. _____

[Appropriating ~~\$2,515,000~~ \$4,515,000 from the General Fund Reserve for Nonprofit Rent Stabilization Program - Mayor's Office of Housing - FY2013-2014]

Ordinance appropriating ~~\$2,515,000~~ \$4,515,000 from the general fund reserve to the Mayor's Office of Housing for FY 2013-2014, establishing the Nonprofit Rent Stabilization Program and placing these funds on Budget and Finance Committee reserve pending a report from the Nonprofit Displacement Work Group to the Board of Supervisors.

Note: Additions are single-underline italics Times New Roman; deletions are ~~strikethrough italics Times New Roman~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

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

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2013-14.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	GENRESERVE	098GR	General Fund	\$2,515,000
(GF-CONTINUING PROJECTS)			Reserve	<u>\$4,515,000</u>
Total Sources Appropriation				_____

Supervisors Chiu, Kim, Avalos
BOARD OF SUPERVISORS

\$2,515,000

\$4,515,000

Section 2. The uses of funding outlined below are herein appropriated in FY 2013-2014 in Project XXXXX, establishing the Nonprofit Rent Stabilization Program.

USES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1GAGFACP	XXXXX	03800	Nonprofit Rent	\$2,515,000
(GF-CONTINUING PROJECTS)			Stabilization Program	<u>\$4,515,000</u>
Total USES Appropriation				<u>\$2,515,000</u>
				<u>\$4,515,000</u>

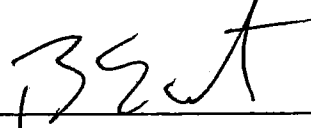
Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

Section 4. These funds shall be placed on Budget and Finance Committee Reserve pending issuance of the April 2014 Nonprofit Displacement Work Group Report to the Board of Supervisors, which will provide specific details regarding the allocation of these funds.

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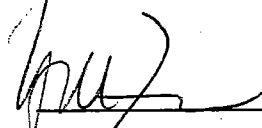
APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 
Deputy City Attorney

FUNDS AVAILABLE

Ben Rosenfield, Controller

By: 
Date: ~~January 06, 2014~~
February 7, 2014

Supervisor Chiu, Supervisor Kim

BOARD OF SUPERVISORS

Item 4
File 14-0008

(Continued from February 26, 2014)

Department:
Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate \$4,515,000 of General Fund Reserve monies in the Mayor's Office of Housing and Community Development to establish a new Nonprofit Rent Stabilization Program.

Key Points

- In 2000, the Board of Supervisors approved ordinances appropriating \$1,500,000 from the General Fund Reserve and establishing conditions for such expenditures to provide rent subsidies to nonprofit arts organizations in immediate danger of being evicted or displaced by rent increases. In 2000, the Board of Supervisors approved another ordinance to appropriate \$3,000,000 from the General Fund Reserve for (a) \$500,000 for rent subsidies, and (b) \$2,500,000 to fund capital improvements and real property acquisitions, specifying the criteria for such nonprofit organizations to receive these City funds.
- On October 8, 2013, the Budget and Legislative Analyst issued a report on the impact of increasing rents in San Francisco on local nonprofits, identifying 6,005 San Francisco nonprofits, of which 1,425 or 23.7% currently contract with the City. This report found that commercial vacancy rates decreased Citywide from 12.4% in 2011 to 9.3% in 2013, while average commercial rents increased from \$39.67 per square foot per year to \$52.69 per square foot per year, a 32.8% increase during this same period.
- On November 5, 2013, the Board of Supervisors approved a resolution to convene a work group to develop recommendations on how the City can address nonprofit displacement. A Nonprofit Displacement Work Group was created, which will present recommendations to the Board of Supervisors by April 11, 2014.

Fiscal Impacts

- The initial \$2,515,000 is an estimate of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011. On February 5, 2014, the Budget and Finance Committee amended the proposed ordinance to add \$2,000,000 to the initial \$2,515,000 for a total of \$4,515,000, to provide sufficient funds to include arts and cultural community groups in the new Nonprofit Rent Stabilization Program.
- The amount of funding for the new Nonprofit Rent Stabilization Program, whether this would be a one-time appropriation or require ongoing appropriations, the specific use of the requested \$4,515,000, criteria for awarding rent stabilization funds to individual nonprofit organizations, any limits on the amount of funds awarded and administrative and selection procedures have not yet been decided.

Recommendations

- Amend the proposed ordinance to place all of the \$4,515,000 General Funds on Budget and Finance Committee reserve, pending issuance of the April 2014 report from the Nonprofit Displacement Work Group to the Board of Supervisors, to provide more specific details on how such funds would be allocated.
- Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

MANDATE STATEMENT

In accordance with Charter Section 9.105, amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance, subject to the Controller certifying the availability of funds.

BACKGROUND***Nonprofit Arts Organizations in 2000 Needed Rental Assistance***

In late October and early November of 2000, the Board of Supervisors approved two ordinances (Files 00-1810 and 00-1811; Ordinances 266-00 and 267-00) to (a) appropriate \$1,500,000 from the City's General Fund Reserve and (b) establish the terms and conditions for the expenditure of these funds by the California Lawyers for the Arts, a nonprofit organization. California Lawyers for the Arts was to allocate such funds to provide rent subsidies to nonprofit arts organizations that were in immediate danger of being evicted or displaced by rent increases in San Francisco. One of the ordinances (File 00-1811) included specific (a) criteria for nonprofit organizations to be eligible to receive these City funds, (b) limits on the amount of grant funds to be awarded, (c) administrative and selection processes for distributing the rental assistance funds, and (d) reporting requirements.

Detailed information on overall expenditures, including administrative costs, for this nonprofit arts rental assistance program is not currently available. Mr. Brian Cheu, the Director of Community Development for the Mayor's Office of Housing and Community Development advises that approximately 12 grants for rental subsidies were provided under this nonprofit arts rental assistance program. The requests for nonprofit arts rental subsidies ranged from a maximum of \$80,000 which was the limit specified by the legislation, to a minimum of \$7,000, with average grant requests of approximately \$35,000.

Other Nonprofit Organizations in 2000 Needed Rental and Capital Improvement Assistance

In addition, on November 20, 2000, the Board of Supervisors approved another ordinance (File 00-1809; Ordinance 283-00) to appropriate \$3,000,000 from the City's General Fund Reserve for the Mayor's Office of Community Development to fund (a) a \$500,000 grant program for rent subsidies to nonprofit service and advocacy organizations at risk of being evicted or displaced by rent increases and (b) \$2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations. This ordinance also specified (a) criteria for nonprofit organizations to be eligible to receive these City funds, (b) limits on the amount of funds to be awarded to individual organizations and (c) individual administrative and selection processes. This ordinance also specified that the \$2,500,000 capital improvement and real property acquisition funds would be allocated by the Partnership for Affordable Nonprofit Space¹ and

¹ A coalition that included the City and County of San Francisco, the Evelyn and Walter Haas Jr. Fund, the San Francisco Foundation and the United Way.

administered by the Northern California Community Loan Fund (NCCLF), a nonprofit intermediary. This ordinance specified that funding priorities would be given to (a) applications that benefit more than one nonprofit organization and result in long-term affordable space, (b) organizations that currently receive funding for operating expenses under a City grant or contract, and are in good standing, and (c) organizations primarily serving San Francisco citizens.

Mr. Cheu advises that there is no information on the \$500,000 portion of the grant program for rent subsidies to nonprofit service and advocacy organizations, such that it appears that the City may have never implemented this portion of the program. Regarding the \$2,500,000 City capital improvement and real property acquisition funds portion of the grant program, which was allocated by the Partnership for Affordable Nonprofit Space, Table 1 below identifies each of the nonprofit organizations, the address or location of their facility and the amount of funding received by each organization.

Table 1: Nonprofit Organizations that Received Capital Improvement and Real Property Acquisition Funds Appropriated in 2000

Name of Nonprofit Organization	Address/Location	Amount of Funding*
Ark of Refuge, Inc.	1025 Howard/30 Harriet	\$171,000
Chinatown Community Development Corp	1525 Grant Avenue	19,647
Coleman Advocates for Children and Youth	459 Vienna Street	30,000
Filipino American Development Foundation	1010 Mission Street	100,000
Mercy Housing California	Mission Creek at 4 th Street	100,000
Nihonmachi Little Friends	1830 Sutter Street	200,000
9th Street Media Consortium	145 Ninth Street	200,000
North of Market Senior Services	315 Turk Street	355,000
ODC Theater/San Francisco	3153 17 th Street	400,000
Portola Family Connections	25634 San Bruno Avenue	50,000
Raphael House	1045-1049 and 1065 Sutter	300,000
SF Museum & Historical Society	88 Fifth Street	100,000
SF Housing Development Corporation	4439 Third Street	100,000
Tenants and Owners Development Corp	328 Tehama Street	65,330
Tenderloin Neighborhood Development Corp	3145 Taylor Street	50,000
Bindlestiff Studio (Planning grant)	185 Sixth Street	10,000
Museum of the Africa Diaspora (Planning grant)	685 Mission Street	10,000
Subtotal		\$2,260,977
Title Recording Fees and Administrative Costs		297,000
Total		\$2,557,977

* Reflects amount of funding provided by the City and County of San Francisco to each nonprofit organization. These organizations may have received additional funding from the other funders, such as the Evelyn and Walter Haas Jr. Fund, the San Francisco Foundation and the United Way, who participated in this program.

Recent 2013 Report on the Impact of Increasing Rents in San Francisco on Local Nonprofits

On October 8, 2013, the Budget and Legislative Analyst issued a report to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits. As part of this report, the Budget and Legislative Analyst surveyed nonprofit organizations to identify rents being paid by these organizations and to determine how they are being affected by current commercial real estate market conditions.

This report identified that as of July 2013, there were 6,005 nonprofit organizations in San Francisco, of which 1,425 nonprofits or 23.7% currently contract with the City and County of San Francisco. In addition, this report found that commercial vacancy rates decreased Citywide from 12.4% in 2011 to 9.3% in 2013, reflecting the reduction in available commercial space in the City. At the same time, average City commercial rental rates increased between 2011 and 2013 from \$39.67 per square foot per year to \$52.69 per square foot per year, a 32.8% increase.

This report notes that the financial burden of renting in San Francisco may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. As a result, this report identified various policy options that the Board of Supervisors could consider to address the issue of escalating commercial rents impacting nonprofit organizations. Such policy options include:

- (1) evaluate development impact fees to be charged to commercial developers to be expended for renovating or acquiring facilities for nonprofit organizations, at controlled rents;
- (2) expand inclusionary zoning, to include incentives for commercial developers to provide (a) space for nonprofit organizations in their developments at below-market rates, or (b) pay fees in-lieu of providing space to be expended by nonprofit organizations to acquire or rehabilitate buildings and occupied by one or more nonprofits at controlled rents;
- (3) create City incentives for commercial landlords to offer below market rents for specified nonprofits;
- (4) enhance existing City programs or create new programs to provide loans and/or grants to nonprofits to acquire or rehabilitate facilities with controlled rents;
- (5) identify unutilized or underutilized City properties for occupancy by nonprofit organizations at controlled rents; and
- (6) collaborate with foundations, private donors and others to pool property and financial resources to provide ownership or leased facilities for nonprofits at controlled rents.

Current Work Group

On November 5, 2013, the Board of Supervisors approved a resolution (File 13-1072; Resolution 395-13) urging the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. In accordance with this resolution, this work group would

include staff from the Mayor's Office of Housing and Community Development, Mayor's Office of Public Policy and Finance, Arts Commission, Office of Economic and Workforce Development, the Human Services Agency, the Department of Public Health, Department of Children, Youth and their Families, Real Estate Division and the Planning Department as well as a broad representation of nonprofit organizations, neighborhood advocates and impacted clients. As specified in the resolution, this work group would convene within 30 days and present a report to the Board of Supervisors within 120 days from its first meeting that includes a series of recommendations and action items.

Mr. Cheu advises that a Nonprofit Displacement Work Group was created and convened its first meeting on December 13, 2013. According to Mr. Cheu, the Nonprofit Displacement Work Group plans to meet monthly and to present a report to the Board of Supervisors by April 11, 2014, as required by Resolution 395-13. Mr. Cheu notes that in addition to the resolution's specified representatives, the Nonprofit Displacement Work Group includes representatives from two Board of Supervisors offices², the Office of the City Administrator, the Controller's Office and specified nonprofit and other interested organizations³.

Based on the Controller's Office data from the past three years, the City funds approximately 500 nonprofit organizations with at least \$25,000 per agency each year. The Work Group distributed a survey to more than 300 such City-funded agencies and to date, has received responses from 84 nonprofit organizations, describing their needs at 102 different service locations. Based on this initial survey data:

1. 54% of the nonprofit respondents would benefit from technical assistance relating to real estate transactions;
2. 68% of the nonprofit respondents are interested in potentially sharing space with other nonprofit organizations;
3. 51% of the nonprofit respondents are interested in potentially sharing back office duties; and
4. 25% of the nonprofit respondents have leases expiring by 2017.

² Representatives from President Chiu and Supervisor Kim's offices.

³ Such nonprofit and interested organizations include Catholic Charities, Positive Resource, Lutheran Social Services, Council of Community Housing Organizations, Tenderloin Neighborhood Development Corporation, Northern Community Loan Fund, Legal Assistance for the Elderly, Hospitality House, San Francisco Foundation, YMCA of San Francisco, Yerba Buena Center for the Arts, and In-Home Supportive Services.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance, as initially introduced would appropriate \$2,515,000 of General Fund Reserve monies to establish a new Nonprofit Rent Stabilization Program. On February 5, 2014, the Budget and Finance Committee amended the proposed ordinance to add \$2,000,000 of additional General Fund Reserve funds to the subject \$2,515,000 supplemental appropriation for a total of \$4,515,000, to provide sufficient funds to include arts and cultural community groups in the new Nonprofit Rent Stabilization Program. The proposed ordinance would now appropriate \$4,515,000 of General Fund Reserve monies in the FY 2013-14 Mayor's Office of Housing and Community Development budget to establish a new Nonprofit Rent Stabilization Program, as shown in Table 2 below.

Table 2: Proposed Source and Use of \$4,515,000 General Fund Reserve

Source of Funds	
General Fund Reserve	\$4,515,000
Use of Funds	
Mayor's Office of Housing and Community Development Nonprofit Rent Stabilization Program	\$4,515,000

FISCAL IMPACTS

Source of Funds

The proposed \$4,515,000 supplemental appropriation would be funded from the City's General Fund Reserve. According to Ms. Risa Sandler, Citywide Budget Manager in the Controller's Office, the City's General Fund Reserve has a current balance of \$44,613,143. If the proposed \$4,515,000 supplemental appropriation is approved, the General Fund Reserve balance would be \$40,098,143.

According to Ms. Michelle Allersma of the Controller's Budget & Analysis Division, the initial \$2,515,000 represents an estimate by the Controller's Office of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011, based on information provided by the Assessor's Office.

Use of Funds

According to Mr. Cheu, the Nonprofit Displacement Work Group has identified 28 possible options for addressing nonprofit organizations potential displacement, which have been divided into the following four programmatic areas:

1. Options that involve the City and/or an intermediary agency to provide real estate-related technical assistance for City-funded agencies;
2. Options that involve potential policy decisions or legislative changes;
3. Options that involve the expansion of private/public partnerships; and

4. Options that require the provision of City funds, provided either directly by the City or through an intermediary agency, to non-profit organizations facing the possibility of displacement.

As the final report of the Work Group will not be completed until April 2014, the specific amount of funding needed for the new Nonprofit Rent Stabilization Program is not yet known, and whether this would be a one-time appropriation or require ongoing appropriations has not yet been decided. In addition, the specific use of the requested \$4,515,000 within each of the above-noted programmatic areas has not yet been determined. Specified criteria for awarding rent stabilization funds to individual nonprofit organizations, any limits on the amount of funds to be awarded to individual organizations and required administrative and selection procedures have also not yet been decided.

However, Mr. Cheu notes that the award of such General Fund monies to nonprofit organizations would be subject to a competitive Request for Proposal (RFP) process. Based on the number of responses received, the number of grants awarded and the level of City administration and oversight required, Mr. Cheu estimates that implementation of a new Nonprofit Rent Stabilization Program would require approximately 1.25 FTE positions in the Mayor's Office. Mr. Cheu also notes that the specifics of the funding needs, ongoing requirements, criteria for award of the funds and recommended uses of the funds would be provided in the Nonprofit Displacement Work Group report to be presented to the Board of Supervisors by April 11, 2014.

Although there is an identified need to address the issue of escalating commercial rents impacting nonprofit organizations in San Francisco, given that (a) the amount of funding needed for a new Nonprofit Rent Stabilization Program has not yet been determined, (b) whether this Program would require only this one-time appropriation or require ongoing appropriations is not known, (c) the specific uses of the subject \$4,515,000 has not yet been decided, and (d) specified criteria for equitable allocation of the proposed funding has not been determined, approval of the proposed supplemental appropriation is a policy decision for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed ordinance to place all of the \$4,515,000 General Funds on Budget and Finance Committee reserve, pending issuance of the April 2014 report from the Nonprofit Displacement Work Group to the Board of Supervisors, to provide more specific details on how such funds would be allocated.
2. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

