

File No. 160552

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date July 18, 2016

Board of Supervisors Meeting Date _____

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Completed by: Linda Wong Date July 15, 2016
Completed by: Linda Wong Date _____

1 [General Obligation Bond Election - Amending Earthquake Loan Bond Program to Finance
2 Acquisition and Rehabilitation of Affordable Housing]

3 Ordinance calling and providing for a special election to be held in the City and County
4 of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco
5 voters a proposition to amend Proposition A (approved November 1992) to authorize
6 the City to incur general obligation bonded indebtedness (Bonds) for the purpose of
7 making amendments to the Affordable Housing Loan Program (as defined herein) and
8 the Market Rate Loan Program (as defined) for the additional purposes of providing
9 loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk
10 multi-unit residential buildings to permanent affordable housing, performing needed
11 seismic, fire, health, and safety upgrades and other major rehabilitation for habitability,
12 and related costs necessary or convenient for the foregoing purposes; providing for
13 the levy and collection of taxes to pay both principal and interest on such Bonds;
14 incorporating the provisions of the Administrative Code relating to the Citizens'
15 General Obligation Bond Oversight Committee's review of the Bonds; setting certain
16 procedures and requirements for the election; adopting findings under the California
17 Environmental Quality Act; and finding that the proposed Bonds are in conformity with
18 the General Plan, and with the eight priority policies of Planning Code, Section
19 101.1(b).

20
21 NOTE: Unchanged Code text and uncodified text are in plain Arial font.
22 Additions to Codes are in *single-underline italics Times New Roman font*.
23 Deletions to Codes are in *strikethrough italics Times New Roman font*.
24 Board amendment additions are in double-underlined Arial font.
25 Board amendment deletions are in ~~strikethrough Arial font~~.

1 **Asterisks (* * * *)** indicate the omission of unchanged Code
2 subsections or parts of tables. Be it ordained by the People of the City
3 and County of San Francisco:

4 Section 1. Findings.

5 A. On November 3, 1992, with the passage of Proposition A, voters of the City and
6 County of San Francisco (the "City") approved the issuance of up to \$350,000,000 of General
7 Obligation Bonds for a Seismic Safety Loan Program (referred to herein as "Proposition A") to
8 provide loans for the seismic strengthening of unreinforced masonry buildings (herein
9 collectively the "Project"), including specifically \$150,000,000 to be allocated to "affordable
10 housing buildings . . . " (referred to herein as the "Affordable Housing Loan Program") and
11 \$200,000,000 to be allocated for "market-rate residential, commercial and institutional
12 buildings . . . " (referred to herein as the "Market Rate Loan Program").

13 B. WHEREAS, Proposition A was intended to provide a source of financing for
14 private loans for strengthening unreinforced masonry affordable housing and other privately
15 owned buildings to withstand a strong earthquake to safeguard the health and safety of City
16 residents; and

17 C. Participation in the Affordable Housing Loan Program has been modest, and
18 there remains \$104,700,000 of authorized but unused bond capacity under such program.

19 D. Participation in the Market Rate Loan Program has been modest, and there
20 remains \$156,000,000 of authorized but unused bond capacity under such program.

21 E. The City has the highest median rent in the country with a one-bedroom asking
22 rent of \$3,460, according to rental listing site Zumper.

23 E~~F~~. The City continues to be one of the highest-priced ownership markets in the
24 country with a median home sales price in 2015 of \$1.1 million, a 19.4% increase from the
25 previous year, according to the real estate website Trulia.

1 G. The City continues to see a widening affordability gap for low to moderate
2 income households for both rental housing and homeownership.

3 H. Limited state and federal resources and the high cost of housing development
4 puts a greater burden on local government to contribute their own limited resources to
5 housing development, and thus means that the City's supply of affordable housing has not
6 kept pace with demand.

7 HI. The affordability gap has the greatest impact on low-income households such as
8 those with seniors, disabled persons, low-income working families, and veterans.

9 IJ. The housing need in the City is also particularly acute for moderate-income
10 households, for whom there are no federal or state financing programs that the City can
11 leverage with its own subsidies.

12 K. The housing affordability gap that has arisen and expanded in the local housing
13 market inhibits the City from ensuring that economic and cultural diversity can be maintained.

14 L. These high housing costs can inhibit healthy, balanced economic growth
15 regionally.

16 M. Individuals and families who are increasingly locked out of the local housing
17 market will be forced to leave the City and take on increasingly long employment commutes,
18 with attendant economic costs and costs to the environment.

19 N. This measure would amend Proposition A to add to the purposes for which
20 funds allocated to the Affordable Housing Loan Program and Market Rate Loan Program can
21 be used to include as an additional purpose loans for the acquisition, improvement, and
22 rehabilitation of "at-risk" multi-unit residential properties, and to convert such properties to
23 permanent affordable housing (as further described in Section 3 below) and to perform
24 needed seismic, fire, health, and safety upgrades or other major rehabilitation for habitability.
25

1 NO. There is a crisis of rent-controlled or low-rent residential buildings being
2 acquired on the speculation market and existing tenants displaced. The expansion of the
3 Market Rate Loan program to accommodate loans to at-risk multi-unit buildings would help
4 maintain affordable housing stock for City residents.

5 Section 2. A special election is called and ordered to be held in the City on Tuesday,
6 November 8, 2016, for the purpose of submitting to the electors of the City a proposition to
7 amend Proposition A, the Market Rate Loan Program, to provide for the additional purposes
8 (as shown by italicized text) described and in the amounts and conditions stated below:

9 "EARTHQUAKE LOAN BOND PROGRAM, 1992. \$350,000,000 to provide loans for
10 the seismic strengthening of unreinforced masonry buildings, and to provide loans for the
11 acquisition, improvement and rehabilitation of "at-risk" multi-unit residential buildings (defined
12 as three or more units) in need of seismic, fire, health and safety upgrades or other major
13 rehabilitation for habitability and conversion of such buildings to permanent affordable housing
14 as provided in subsection (b) below, and to pay necessary administrative costs incident
15 thereto, of which (a) \$150,000,000 shall be allocated to affordable housing buildings at an
16 interest rate equal to at least one-third of the City's true interest cost of the series of bond of
17 which are used to fund the loan, of which \$60,000,00 shall be available for deferred loans,
18 and (b) \$200,000,000 shall be allocated to market rate residential, commercial and
19 institutional buildings to, in addition to financing the cost of seismic repairs, finance the cost to
20 acquire, improve and rehabilitate at risk multi-unit residential buildings (defined as three or
21 more units) in need of seismic, fire, health and safety upgrades or other major rehabilitation
22 for habitability, including mixed-use residential buildings in order to convert such structures to
23 permanent affordable housing; with the interest rate on said loans being set in an amount
24 which, when coupled with the City's annual administrative fees charged by the City yields a
25

1 total annual return to the City which is one percent (1%) above the City's true interest cost for
2 the series of bonds the proceeds of which are used to fund the loan; . . . "

3 Loans made pursuant to this amendment shall be in accordance with the Mayor's
4 Office of Housing and Community Development underwriting standards for multifamily
5 housing.

6 Other than as stated above, the purposes, conditions, and other matters pertaining to
7 Proposition A shall remain in full force and effect, as approved by the voters on November 3,
8 1992. Nothing herein shall be read to restore bonding capacity for previously issued bonds
9 under Proposition A, the sole purpose^s herein being to provide additional purposes to which
10 funds in the Affordable Housing Loan Program and the Market Rate Loan Program can be
11 used.

12 The special election called and ordered to be held hereby shall be referred to in this
13 ordinance as the "Bond Special Election."

14 Section 3. PROPOSED PROGRAM. All contracts that are funded with the proceeds
15 of Bonds authorized hereby shall be subject to the provisions of Chapter 83 of the
16 Administrative Code (the "First Source Hiring Program"), which fosters construction and
17 permanent employment opportunities for qualified economically disadvantaged individuals. In
18 addition, all contracts that are funded with the proceeds of Bonds authorized hereby also shall
19 be subject to the provisions of Chapter 14B of the Administrative Code (the "Local Business
20 Enterprise and Non-Discrimination in Contracting Ordinance"), which assists small and micro
21 local businesses to increase their ability to compete effectively for the award of City contracts,
22 to the extent the Local Business Enterprise and Non-Discrimination Contracting Ordinance
23 does not conflict with applicable state or federal law.

24 A. CITIZENS' OVERSIGHT COMMITTEE. A portion of the proposed Bonds shall
25 be used to perform audits of the Bonds, as further described in Section 15.

1 Additional Projects to be funded from the proceeds of the proposed Bonds may include
2 but are not limited to the following:

3 B. ACQUIRE EXISTING RENTAL HOUSING TO PRESERVE HOUSING. A portion
4 of the Bonds may be allocated to acquire, rehabilitate, and preserve existing rental housing as
5 permanent affordable housing in order to prevent the loss of rental housing stock and the
6 displacement of long-time residents of the City, as provided in Section 2 above. Loans made
7 pursuant to this amendment shall be in accordance with the Mayor's Office of Housing and
8 Community Development underwriting standards for multifamily housing.

9 Section 4. BOND ACCOUNTABILITY MEASURES.

10 The Bonds shall include the following administrative rules and principles:

11 A. OVERSIGHT. The proposed Bond funds shall be subjected to approval
12 processes and rules described in the Charter and Administrative Code. Pursuant to
13 Administrative Code Section 5.31, the Citizens' General Obligation Bond Oversight
14 Committee shall conduct an annual review of Bond spending, and shall provide an annual
15 report of the Bond program to the Mayor and the Board of Supervisors.

16 B. TRANSPARENCY. The City shall create and maintain a Web page outlining and
17 describing the bond program, progress, and activity updates. The City shall also hold an
18 annual public hearing and reviews on the bond program and its implementation before the
19 Capital Planning Committee and the Citizens' General Obligation Bond Oversight Committee.

20 Section 5. The estimated cost of the bond financed portion of the project described
21 in Section 2 above was fixed by the Board of Supervisors by the following resolution and in
22 the amount specified below:

23 Resolution No. _____, \$350,000,000.

24 Such resolution was passed by two-thirds or more of the Board of Supervisors and
25 approved by the Mayor. In such resolution it was recited and found by the Board of

1 Supervisors that the sum of money specified is too great to be paid out of the ordinary annual
2 income and revenue of the City in addition to the other annual expenses or other funds
3 derived from taxes levied for those purposes and will require expenditures greater than the
4 amount allowed by the annual tax levy.

5 The method and manner of payment of the estimated costs described in this ordinance
6 are by the issuance of Bonds of the City not exceeding the principal amount specified.

7 Such estimate of costs as set forth in such resolution is adopted and determined to be
8 the estimated cost of such bond financed improvements and financing, respectively.

9 Section 6. The Bond Special Election shall be held and conducted and the votes
10 received and canvassed, and the returns made and the results ascertained, determined, and
11 declared as provided in this ordinance and in all particulars not recited in this ordinance such
12 election shall be held according to the laws of the State of California (State) and the Charter of
13 the City (Charter) and any regulations adopted under State law or the Charter, providing for
14 and governing elections in the City, and the polls for such election shall be and remain open
15 during the time required by such laws and regulations.

16 Section 7. The Bond Special Election is consolidated with the General Election
17 scheduled to be held in the City on Tuesday, November 8, 2016 (General Election). The
18 voting precincts, polling places, and officers of election for the General Election are hereby
19 adopted, established, designated, and named, respectively, as the voting precincts, polling
20 places, and officers of election for the Bond Special Election called, and reference is made to
21 the notice of election setting forth the voting precincts, polling places, and officers of election
22 for the General Election by the Director of Elections to be published in the official newspaper
23 of the City on the date required under the laws of the State.

24 Section 8. The ballots to be used at the Bond Special Election shall be the ballots to
25 be used at the General Election. The word limit for ballot propositions imposed by Municipal

1 Elections Code Section 510 is waived. On the ballots to be used at the Bond Special
2 Election, in addition to any other matter required by law to be printed thereon, shall appear the
3 following as a separate proposition:

4 "SAN FRANCISCO EARTHQUAKE LOAN AND HOUSING PRESERVATION
5 BONDS, 1992. To Amend 1992 voter approved measure Proposition A, to allow as an
6 additional purpose the incurrence of bonded indebtedness to finance the acquisition,
7 improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such
8 structures to permanent affordable housing; shall the City and County of San Francisco issue
9 up to \$260,700,000 in general obligation bonds, subject to independent citizen oversight and
10 regular audits?"

11 Each voter to vote in favor of the foregoing bond proposition shall mark the ballot in the
12 location corresponding to a "YES" vote for the proposition, and to vote against the proposition
13 shall mark the ballot in the location corresponding to a "NO" vote for the proposition.

14 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the
15 voters voting on the proposition voted in favor of and authorized the incurring of bonded
16 indebtedness for the purposes set forth in such proposition, then such proposition shall have
17 been accepted by the electors, and the Bonds authorized shall be issued upon the order of
18 the Board of Supervisors. Such Bonds shall bear interest at a rate not exceeding that
19 permitted by law. Notwithstanding the foregoing, if this measure is not approved by the voters
20 voting on the proposition, then Proposition A shall remain unaffected and shall continue as a
21 valid authorization to issue General Obligation Bonds for the several purposes therein stated.

22 The votes cast for and against the proposition shall be counted separately and when
23 two-thirds of the qualified electors, voting on the proposition, vote in favor, the proposition
24 shall be deemed adopted.
25

1 Section 10. For the purpose of paying the principal and interest on the Bonds, the
2 Board of Supervisors shall, at the time of fixing the general tax levy and in the manner for
3 such general tax levy provided, levy and collect annually each year until such Bonds are paid,
4 or until there is a sum in the Treasury of the City, or other account held on behalf of the
5 Treasurer of the City, set apart for that purpose to meet all sums coming due for the principal
6 and interest on the Bonds, a tax sufficient to pay the annual interest on such Bonds as the
7 same becomes due and also such part of the principal thereof as shall become due before the
8 proceeds of a tax levied at the time for making the next general tax levy can be made
9 available for the payment of such principal.

10 Section 11. This ordinance shall be published in accordance with any State law
11 requirements, and such publication shall constitute notice of the Bond Special Election and no
12 other notice of the Bond Special Election hereby called need be given.

13 Section 12. The Board of Supervisors, having reviewed the proposed legislation,
14 makes the following findings in compliance with the California Environmental Quality Act
15 ("CEQA"), California Public Resources Code Sections 21000 et seq., the CEQA Guidelines,
16 15 Cal. Administrative Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco
17 Administrative Code Chapter 31 ("Chapter 31"): The Environmental Review Officer
18 determined that this legislation is not defined as a project subject to CEQA because it is a
19 funding mechanism involving no commitment to any specific projects at any specific locations,
20 as set forth in CEQA Guidelines Section 15378.

21 Section 13. The Board of Supervisors finds and declares that the proposed Bonds (a)
22 were referred to the Planning Department in accordance with Section 4.105 of the Charter
23 and Section 2A.53(f) of the Administrative Code, (b) are in conformity with the priority policies
24 of Section 101.1(b) of the Planning Code, and (c) are consistent with the City's General Plan,
25 and adopts the findings of the Planning Department, as set forth in the General Plan Referral

1 Report dated June 27, 2016, a copy of which is on file with the Clerk of the Board of
2 Supervisors in File No. 160552, and incorporates such findings by this reference.

3 Section 14. Under Section 53410 of the California Government Code, the Bonds shall
4 be for the specific purpose authorized in this ordinance and the proceeds of such Bonds will
5 be applied only for such specific purpose. The City will comply with the requirements of
6 Sections 53410(c) and 53410(d) of the California Government Code.

7 Section 15. The Bonds are subject to, and incorporate by reference, the applicable
8 provisions of Administrative Code Sections 5.30 – 5.36 (the "Citizens' General Obligation
9 Bond Oversight Committee"). Under Administrative Code Section 5.31, to the extent permitted
10 by law, one-tenth of one percent (0.1%) of the gross proceeds of the Bonds shall be deposited
11 in a fund established by the Controller's Office and appropriated by the Board of Supervisors
12 of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee
13 to cover the costs of such committee.

14 Section 16. The time requirements specified in Administrative Code Section 2.34 are
15 waived.

16 Section 17. The City hereby declares its official intent to reimburse prior expenditures
17 of the City incurred or expected to be incurred prior to the issuance and sale of any series of
18 the Bonds in connection with the Project. The Board of Supervisors hereby declares the City's
19 intent to reimburse the City with the proceeds of the Bonds for expenditures with respect to
20 the Project (the "Expenditures" and each, an "Expenditure") made on or after that date that is
21 no more than 60 days prior to the passage of this Ordinance. The City reasonably expects
22 that it will reimburse the Expenditures with the proceeds of the Bonds.

23 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
24 account under general federal income tax principles (determined in each case as of the date
25 of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item

1 that is not customarily payable from current revenues, or (d) a grant to a party that is not
2 related to or an agent of the City so long as such grant does not impose any obligation or
3 condition (directly or indirectly) to repay any amount to or for the benefit of the City. The
4 maximum aggregate principal amount of the Bonds expected to be issued for the Project is
5 \$350,000,000. The City shall make a reimbursement allocation, which is a written allocation
6 by the City that evidences the City's use of proceeds of the applicable series of Bonds to
7 reimburse an Expenditure, no later than 18 months after the later of the date on which the
8 Expenditure is paid or the related portion of the Project is placed in service or abandoned, but
9 in no event more than three years after the date on which the Expenditure is paid. The City
10 recognizes that exceptions are available for certain "preliminary expenditures," costs of
11 issuance, certain de minimis amounts, expenditures by "small issuers" (based on the year of
12 issuance and not the year of expenditure) and Expenditures for construction projects of at
13 least five years.

14 Section 18. The appropriate officers, employees, representatives and agents of the
15 City are hereby authorized and directed to do everything necessary or desirable to accomplish
16 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions
17 of this ordinance.

18
19 APPROVED AS TO FORM:
20 DENNIS J. HERRERA,
City Attorney

21
22 By:


23 MARK D. BLAKE
Deputy City Attorney

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25

AMENDED IN COMMITTEE

7/13/16

FILE NO. 160552

LEGISLATIVE DIGEST

[General Obligation Bond Election - Amending Earthquake Loan Bond Program to Finance Permanent Affordable Housing]

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the purpose of making amendments to the Affordable Housing Loan Program (as defined herein) and the Market Rate Loan Program (as defined) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

Existing Law

On November 3, 1992, voters of the City and County of San Francisco approved by a two-third's vote the issuance of up to \$350,000,000 of General Obligation Bonds for a Seismic Safety Loan Program (referred to herein as "Proposition A") to provide loans for the seismic strengthening of unreinforced masonry buildings. Proposition A loans were intended to provide a source of financing for the estimated 2000 unreinforced masonry buildings in the City that were not designed to withstand a strong earthquake. Proposition A allocated, among other uses, \$150 million to be allocated to "affordable housing buildings . . ." (referred to herein as the "Affordable Housing Loan Program") and \$200 million to be used to provide loans to strengthen affordable housing structures that were occupied by low income tenants (the "Market Rate Loan Program").

Since the inception of the Affordable Housing Loan Program, the City has issued approximately \$45.30 million in loans to private parties. There remains approximately \$104.7 million of authorized but unissued authority under the Affordable Housing Loan Program. Loans made under this program will be made at an interest rate equal to one-third of the City's true interest cost of the series of bonds that fund the loan.

Since the inception of the Market Rate Loan Program, the City has issued approximately \$50 million in loans to private parties. There remains \$150 million of authorized but unissued authority under the Market Rate Loan Program. Loans made under this program will be made at a rate set at an amount, coupled with the City's annual administrative fee, yields a return which is 1% above the City's true interest costs of the series of bonds that fund the loan.

AMENDED IN COMMITTEE

7/13/16

FILE NO. 160552

Under Proposition A, no more than \$35 million of loans may be sold in any fiscal year, prorated amongst the two categories of loans authorized thereunder.

Amendments to Existing Law

To access the existing bonding capacity under the Affordable Housing Loan Program (approximately \$104.7 million) and the Market Rate Loan Program (approximately \$150 million), amendments to Proposition A would expand the permitted uses to which funds in such programs could be loaned to include as an additional purpose loans for the acquisition, improvement and rehabilitation of "at-risk" multi-unit residential properties, and to convert such properties to permanent affordable housing, and to finance the cost of needed seismic, fire, health and safety upgrades or other major rehabilitation for habitability on such structures. In addition, interest rates on loans made under the Affordable Housing Loan Program would be changed to be *at least* one-third of the City's true interest costs rather than equal to such rate. There is no change to the interest rate charged by the City for the Market Rate Loan Program.

No new bonding capacity would be created. Moreover, amendments to Proposition A would not restore bonding capacity for previously issued bonds.

If voters do not approve the amendments by two-thirds vote, the provisions of Proposition A adopted by the voters in 1992 remain unaffected.

Background Information

Proposition A was established to create a financing loan program to provide for an estimated 2000 unreinforced masonry buildings in the City that were not designed to withstand a strong earthquake. Proposition A allocated, among other uses, \$150 million to be allocated to "affordable housing buildings for the Affordable Housing Loan Program and \$200 million to be used to provide loans to strengthen affordable housing structures that were occupied by low income tenants for the Market Rate Loan Program. Approximately \$104.7 million of bonding capacity remains under the Affordable Housing Loan Program, and approximately \$150 million of bonding capacity remains under the Market Rate Loan Program.

The City continues to be one of the highest cost rental and ownership housing markets in the country. The high cost of housing threatens the existing stock of affordable housing for low and moderate income City residents, including in particular low-income households such as seniors, disabled persons, low-income working families, and veterans. It is hoped that expansion of the Market Rate Loan program to accommodate loans to at-risk multi-unit buildings would help maintain affordable housing stock for City residents.

<p>Items 1 and 2 File 16-0552 and 16-0557</p>	<p>Departments: Controller’s Office of Public Finance Mayor’s Office of Housing and Community Development</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- **16-0557:** Resolution determining and declaring the public interest and necessity demand the construction, acquisition, improvement, rehabilitation and conversion of “at-risk” multi-unit residential buildings to permanent affordable housing and performing needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability, to be financed through bonded indebtedness not to exceed \$350,000,000.
- **16-0552:** Ordinance calling for a special election on November 8, 2016 to submit a proposition to San Francisco voters to amend Proposition A approved by voters in November 1992 to authorize additional purposes for providing general obligation bonded indebtedness loans for affordable housing.

Key Points

- San Francisco voters approved a \$350,000,000 General Obligation bond in 1992 to fund a Seismic Safety Loan Program to provide seismic loans for unreinforced masonry buildings. Because of the low number of masonry buildings requiring seismic upgrades, the proposed legislation would amend the program to expand the uses for such loans.

Fiscal Impact

- Under the existing Market Rate Loan Program and Affordable Housing Loan Program, for market rate loans the property owner pays the full amount of the principal and interest costs, and for affordable housing loans the property owner pays full principal and one-third interest costs and the City pays two-thirds interest costs. Therefore, the expanded allowable use of the Proposition A General Obligation bonds could increase the annual property tax rate resulting from new affordable housing loans, but is not expected to impact the City’s property tax rate above the 2006 property tax rate baseline.

Policy Consideration

- While the legislation does not specify the level of affordability for housing acquired or renovated through the Affordable Housing Loan Program, MOHCD’s intent is for eligible properties to conform to the City’s Small Site Acquisition and Rehabilitation Program, which provides for housing to be affordable to households up to 80 percent of the Area Median Income on average. Currently, Administrative Code Chapter 66 provides for the Affordable Housing Loan Program to issue loans to housing projects that are affordable up to 40 to 60 percent of the Area Median Income. MOHCD proposes to submit a future ordinance to the Board of Supervisors to amend Chapter 66 of the Administrative Code to set affordability requirements to conform to the City’s Small Site Acquisition and Rehabilitation Program.

Recommendation

- Approval of the proposed resolution and ordinance to submit a \$350 million General Obligation bond to San Francisco voters for the November 2016 ballot is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose. Section 9.105 of the City’s Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance.

City Administrative Code Section 2.34 requires that a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

Background

On November 3, 1992, San Francisco voters approved a \$350,000,000 General Obligation bond to fund a Seismic Safety Loan Program (Proposition A) to provide loans to property owners to seismically strengthen their unreinforced masonry buildings. Under the existing \$350 million Seismic Safety Loan Program, which is administered by the Mayor’s Office of Housing and Community Development (MOHCD), \$150 million is authorized for affordable housing and \$200 million is authorized for market-rate residential, commercial and institutional buildings. As shown in Table 1 below, of the total \$350,000,000 in bonds authorized in 1992, \$260,684,550 of that authorization remains after almost 24 years.

Table 1: Existing Seismic Safety Loan Program Bond Authorizations

	Total	Affordable Housing	Market Rate
Bonds Authorized	\$350,000,000	\$150,000,000	\$200,000,000
Bonds Issued to Date	<u>89,315,450</u>	<u>45,315,450</u>	<u>44,000,000</u>
Remaining Bond Authorization	\$260,684,550	\$104,684,550	\$156,000,000

DETAILS OF PROPOSED LEGISLATION

Under the proposed resolution (File 16-0557), the Board of Supervisors would:

- (a) Determine and declare that the public interest and necessity demand the acquisition, improvement and rehabilitation and conversion of “at-risk” multi-unit residential buildings to permanent affordable housing, including performance of needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability; and that such work would be financed through bonded indebtedness not to exceed \$350,000,000;

- (b) Find that the estimated cost of \$350,000,000 previously authorized under Proposition A in 1992 is and will be too great to be paid out of the ordinary annual income and revenue of the City;
- (c) Provide for the levy and collection of taxes to pay both principal and interest on such bonds;
- (d) Set certain procedures and requirements for the election;
- (e) Adopt findings under the California Environmental Quality Act (CEQA); and
- (f) Find that the proposed bond is in conformance with the General Plan and eight priority policies of the Planning Code, Section 101.1.

Under the proposed ordinance (File 16-0552), the Board of Supervisors would:

- (a) Provide for a special election to be held in the City and County of San Francisco on November 8, 2016 in which a proposition would be submitted to San Francisco voters amending Proposition A (approved by the voters in November 1992) to expand the Affordable Housing Loan Program and the Market Rate Loan Program to allow for the use of bond proceeds to provide loans to finance the costs to acquire, improve, and rehabilitate multi-unit residential buildings that are at-risk of losing their affordability, and to convert such properties to permanent affordable housing, including performance of needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability;
- (b) Provide for the levy and collection of taxes to pay both principal and interest on such bonds;
- (c) Incorporate the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds;
- (d) Setting certain procedures and requirements for the election;
- (e) Adopt findings under the California Environmental Quality Act (CEQA); and
- (f) Find that the proposed bond is in conformance with the General Plan and eight priority policies of the Planning Code, Section 101.1

Currently, the Affordable Housing Loan Program and Market Rate Loan Program provide loans to property owners to make seismic upgrades to masonry buildings. Because of the lack of supply of masonry buildings in need of seismic upgrades, there may not be high demand for the remaining authorization of seismic safety loans. The proposed resolution and ordinance would amend the program to expand the uses for such loans. Under the proposed resolution and ordinances, property owners could use loan proceeds to acquire, improve and rehabilitate of "at-risk" multi-unit residential properties, and convert these properties to permanent affordable housing.

According to Mr. Brian Strong, Director of the City's Capital Planning Program the proposed resolution and ordinance are scheduled to be heard by the Capital Planning Committee on Monday, July 11, 2016.

FISCAL IMPACT

No Additional Bond Authorization

The proposed ordinance expands the uses of the Proposition A General Obligation Bonds, previously approved by the voters in November 1992 for the Seismic Safety Loan Program, but does not increase the bond amount of \$350,000,000. While the proposed legislation could increase the use of Affordable Housing and Market Rate Loan Program loans, resulting in issuance of previously authorized but unissued bonds of \$260,684,550 (see Table 1 above) to fund these loans, the demand for these loans is not currently known.

Under the existing Market Rate Loan Program and Affordable Housing Loan Program, for market rate loans the property owner pays the full amount of the principal and interest costs, and for affordable housing loans the property owner pays full principal and one-third interest costs and the City pays two-thirds interest costs. Therefore, according to Mr. Strong, the expanded allowable use of the Proposition A General Obligation bonds could increase the annual property tax rate resulting from new affordable housing loans, but is not expected to impact the City's property tax rate above the 2006 property tax rate baseline.

Other City Costs

In accordance with Section 5.31 of the Administrative Code, one-tenth of one percent (0.1%) of the bonds gross proceeds would be deposited into the Controller's Office fund, to be appropriated by the Board of Supervisors to cover the costs of the Citizens' General Obligation Bond Oversight Committee. In addition, the Controller's City Service Audit fee, bond issuance costs, and underwriter's discount fees would be included in the City's bond total costs.

According to MOHCD, depending on the additional work required by the proposed program, the MOHCD may need to add one additional full-time equivalent (FTE) staff to administer this program.

POLICY CONSIDERATION

According to Ms. Kate Hartley, MOHCD Deputy Director, while the legislation does not specify the level of affordability for housing acquired or renovated through the Affordable Housing Loan Program, MOHCD's intent is for eligible properties to conform to the City's Small Site Acquisition and Rehabilitation Program¹, which provides for housing to be affordable to households up to 80 percent of the Area Median Income² on average. Currently, Administrative Code Chapter 66 provides for the Affordable Housing Loan Program to issue loans to housing projects that are affordable up to 40 to 60 percent of the Area Median Income. MOHCD proposes to submit a future ordinance to the Board of Supervisors to amend Chapter 66 of the

¹ The City's Small Site Acquisition and Rehabilitation Program, administered by the Mayor's Office of Housing and Community Development, identifies potential existing properties at risk of losing their affordability that can be acquired or rehabilitated in order to retain affordable housing in the City.

² The San Francisco Average Median Income in 2016 for a four-person household is \$107,700. 80 percent of the San Francisco Average Median Income in 2016 for a four-person household is \$86,150.

Administrative Code to set affordability requirements to conform to the City's Small Site Acquisition and Rehabilitation Program.

RECOMMENDATION

Approval of the proposed resolution and ordinance to submit a proposition to San Francisco voters to expand the uses of the existing \$350 million Seismic Safety General Obligation bond program for the November 2016 ballot is a policy decision for the Board of Supervisors.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 12, 2016

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 160552 – Amending Earthquake Loan Bond Program (second draft)

Dear Ms. Calvillo,

Should the proposed charter amendment be approved by the voters, in my opinion, it would have a minimal impact on the cost of government.

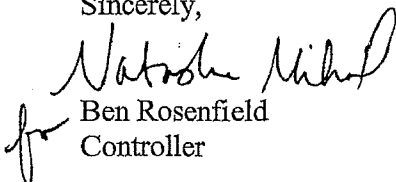
In 1992, San Francisco voters authorized the sale of \$350 million of general obligation bonds for the Seismic Safety Loan Program (SSLP), to provide loans for the seismic strengthening of unreinforced masonry buildings. The proposed amendment changes the authorized use of these bond funds, for which approximately \$260 million remains authorized but unissued.

The proposed amendment would increase the cost of government by approximately \$150,000 annually for the administration of loans issued through the changes in SSLP authorized uses. The proposed authorized uses include financing the cost to acquire, improve, and rehabilitate at risk multi-residential buildings (defined as three or more units) in need of seismic, fire, health and safety upgrades or other major rehabilitation for habitability, including mixed-use residential buildings in order to convert such structures to permanent affordable housing.

The City can issue up to \$35,000,000 in SSLP bonds per fiscal year. Assuming maximum demand for loans under the proposed expanded eligible use provisions, the total net cost to the City would be approximately \$78 million over 22 years. The estimated annual impact to the property tax levy would be approximately 0.0012 percent, or \$7.21 per \$600,000 of net assessed value.

These estimates are based on projections only, which are not binding upon the City. Projections and estimates may vary due to the timing of bond sales, the amount of bonds sold at each sale, and actual assessed valuation over the term of repayment of the bonds. Hence, the actual tax rate and the years in which such rates are applicable may vary from those estimated above. The City's current debt management policy is to issue new general obligation bonds while maintaining the City's property tax level to not exceed the 2006 property tax rate.

Sincerely,


Ben Rosenfield
Controller

This analysis reflects our current understanding of the proposal. We will update this analysis as additional information becomes available. Should this item be placed on the November 8, 2016 ballot, we will prepare a fiscal impact statement for the Voter Information Pamphlet.

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

May 31, 2016

File No. 160552

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

Dear Ms. Jones:

On May 17, 2016, Supervisor Aaron Peskin introduced the following legislation:

File No. 160552

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

By: Linda Wong, Assistant Clerk

Attachment

c: Joy Navarrete, Environmental Planning
Jeanie Poling, Environmental Planning

Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it does not result in a physical change in the environment. It is a funding mechanism involving no commitment to any specific projects at any specific location.

Joy Navarrete

Digitally signed by Joy Navarrete
DN: cn=Joy Navarrete, o=Planning,
ou=Environmental Planning,
email=joy.navarrete@sfgov.org, c=US
Date: 2016.06.03 12:08:39 -0700

Wong, Linda (BOS)

From: Wong, Linda (BOS)
Sent: Tuesday, May 31, 2016 2:50 PM
To: Dick-Endrizzi, Regina (ECN)
Cc: Mahajan, Menaka (ECN)
Subject: File No. 160552 - REFERRAL FROM BOARD OF SUPERVISORS (Budget & Finance Sub-Committee)
Attachments: 160552 sb1.pdf

Hi Regina,

The Board of Supervisors' Budget and Finance Sub-Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 160552

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

If the Small Business Commission wishes to submit a response, please send it directly to me at the address provided below.

Sincerely,

Linda Wong
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: 415.554.7719 | Fax: (415) 554-5163
Linda.Wong@sfgov.org | www.sfbos.org

Please complete a Board of Supervisors Customer Service Satisfaction form by clicking [here](#).

The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Disclosures: Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone numbers, addresses and similar information that a member of the public elects to submit to the Board and its committees—may appear on the Board of Supervisors website or in other public documents that members of the public may inspect or copy.

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

MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Small Business Commission, City Hall, Room 448

FROM: Linda Wong, Assistant Clerk
Board of Supervisors

DATE: May 31, 2016

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Budget and Finance Sub-Committee

The Board of Supervisors' Budget and Finance Sub-Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 160552

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

Please return this cover sheet with the Commission's response to Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee, at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

No Comment

Recommendation Attached

Chairperson, Small Business Commission



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: June 27, 2016

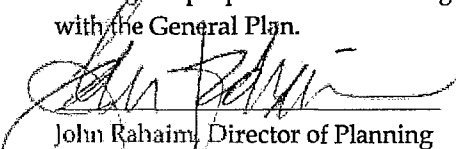
Case: 2016-008391GPR
Amendment to the Earthquake Loan Bond Program's
Seismic Safety Loan Fund to Finance
Permanently Affordable Housing

Block/Lot No.: Various, Citywide

Project Sponsor: Mayor's Office of Housing
1 South Van Ness Avenue
San Francisco, CA 94103

Staff Contact: Jon Swae – (415) 575-9069
jon.swae@sfgov.org

Recommendation: Finding the proposed General Obligation Bond, on balance, in conformity with the General Plan.

Recommended By: 
John Rahaim, Director of Planning

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

PROJECT DESCRIPTION

In 1992, San Francisco voters approved a \$350 million General Obligation Bond for a Seismic Safety Loan Program to provide loans for seismic strengthening and to retrofit unreinforced masonry buildings citywide. \$200 million was authorized to be used for a "market rate program." Approximately \$150 million of those funds still remain. The intent of the proposed bond amendment is to expand the existing eligible uses for the unexpended market rate tranche to include acquisition, improvement, and rehabilitation of "at-risk" multi-unit residential properties. In addition, it would allow non-profit affordable housing developers to convert those properties to permanently-affordable housing through the City's Small Site Acquisition & Rehabilitation Program or other means. The scope of the rehabilitation work would be expanded to also include fire, safety, electrical, and plumbing upgrades and the acquisition component would allow the preservation of at-risk housing.

ENVIRONMENTAL REVIEW

The Planning Department has determined that the proposed amendment is not a project under CEQA per Guidelines Sections 15060(c) and 15378 because there is no direct or indirect physical change in the environment.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The proposed bond amendment is, on balance, in conformity with the General Plan, as described in the body of this Report. If approved and funds for affordable housing become available, some projects may require project-level General Plan referrals, as required by San Francisco Charter §4.105 and § 2A.53 of the Administrative Code, Environmental Review and/or other discretionary actions by the Planning Department.

Note: General Plan Objectives are shown in **BOLD UPPER CASE** font; Policies are in **Bold** font; staff comments are in *italic* font.

HOUSING ELEMENT

OBJECTIVE 1

IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

POLICY 1.1

Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.

POLICY 1.10

Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.

Comment: The amendment would make funds available for the acquisition, improvement, and rehabilitation of "at-risk" multi-unit residential properties and to allow non-profit affordable housing developers to convert those properties to permanently-affordable housing.

OBJECTIVE 2

RETAIN EXISTING HOUSING UNITS, AND PROMOTE SAFETY AND MAINTENANCE STANDARDS, WITHOUT JEOPARDIZING AFFORDABILITY.

POLICY 2.4

Promote improvements and continued maintenance to existing units to ensure long term habitation and safety

Comment: The amendment would make funds available to rehabilitate and protect existing housing units with the intent of creating a stock of permanently-affordable housing.

OBJECTIVE 4

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

GENERAL PLAN REFERRAL

**CASE NO. 2016-008391GPR
AMENDMENT TO THE EARTHQUAKE LOAN BOND
PROGRAM'S SEISMIC SAFETY LOAN FUND TO
FINANCE PERMANENTLY AFFORDABLE HOUSING**

POLICY 4.4

Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.

Comment: The amendment if approved may be used to acquire existing rental housing as affordable housing and preserve existing rental housing in order to prevent the loss of rental housing stock.

OBJECTIVE 7

SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

POLICY 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

POLICY 7.3

Recognize the importance of funds for operations, maintenance and services to the success of affordable housing programs

POLICY 7.6

Acquire and rehabilitate existing housing to maximize effective use of affordable housing resources.

Comment: The amendment would make funds available for the acquisition, improvement, and rehabilitation of "at-risk" multi-unit residential properties and to allow non-profit affordable housing developers to convert those properties to permanently-affordable housing.

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project, the proposed \$300,000,000 General Obligation Bond for affordable housing proposed to be placed on the November 2015 ballot, is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The project will not displace or restrict access to any existing neighborhood-serving or restrict future opportunities.

AMENDMENT TO THE EARTHQUAKE LOAN BOND
PROGRAM'S SEISMIC SAFETY LOAN FUND TO
FINANCE PERMANENTLY AFFORDABLE HOUSING

GENERAL PLAN REFERRAL

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The project will enhance the economic diversity of our neighborhoods by increasing affordable housing at a range of income levels, as well as preserving existing affordable rental housing.

3. That the City's supply of affordable housing be preserved and enhanced.

The project will directly support the preservation and enhancement of the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

The proposed project will not impede Muni transit service, nor overburden our streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The project will not displace any individual businesses.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed project will support rehabilitation of affordable housing including seismic safety improvements.

7. That landmarks and historic buildings be preserved.

The project would not have an adverse effect on landmarks or historic buildings.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

The project will not impact parks and open spaces.

RECOMMENDATION:

**Finding the Proposed Project, on balance,
in-conformity with the General Plan.**



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

June 28, 2016

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 160552 – Amending Earthquake Loan Bond Program (first draft)

Dear Ms. Calvillo,

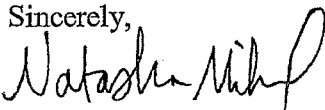
Should the proposed charter amendment be approved by the voters, in my opinion, it would have a minimal impact on the cost of government.

In 1992, San Francisco voters authorized the sale of \$350 million of general obligation bonds for the Earthquake Loan Bond Program, to provide loans for the seismic strengthening of unreinforced masonry buildings. The proposed amendment changes the authorized use of the market-rate residential, commercial, and institutional buildings allocation, for which approximately \$156 million remains authorized but unissued.

The proposed authorized uses include financing the cost to acquire, improve, and rehabilitate at risk multi-residential buildings (defined as three or more units) in need of seismic, fire, health and safety upgrades or other major rehabilitation for habitability, including mixed-use residential buildings in order to convert such structures to permanent affordable housing.

The City generally issues general obligation bonds legally secured by the property tax base in San Francisco. Under the proposed measure, the cost of servicing these bonds would be paid by the property owners benefitting from improvements paid from the bonds and not through a change to the overall property tax rate.

Sincerely,


Ben Rosenfield
Controller

This analysis reflects our current understanding of the proposal. We will update this analysis as additional information becomes available. Should this item be placed on the November 8, 2016 ballot, we will prepare a fiscal impact statement for the Voter Information Pamphlet.

Wong, Linda (BOS)

From: Wong, Linda (BOS)
Sent: Tuesday, May 31, 2016 2:40 PM
To: Lee, Olson (MYR); Hayes-White, Joanne (FIR); Garcia, Barbara (DPH); Rosenfield, Ben (CON); Arntz, John (REG); Cisneros, Jose (TTX); Rahaim, John (CPC); brian@brianjlarkin.com
Cc: Hayward, Sophie (MYR); Alves, Kelly (FIR); Chawla, Colleen (DPH); Rydstrom, Todd (CON); Fried, Amanda (TTX); Starr, Aaron (CPC)
Subject: File No. 160552 - REFERRAL FROM BOARD OF SUPERVISORS (Budget & Finance Sub-Committee)
Attachments: 160552.pdf

Good afternoon,

Attached is a referral for BOS File No. 160552, which is being sent to you for informational purposes. If you have any comments or reports to be included with the file, please respond to this email or forward them to me at the address listed below.

File No. 160552

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

Sincerely,

Linda Wong
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: 415.554.7719 | Fax: (415) 554-5163
Linda.Wong@sfgov.org | www.sfbos.org

Please complete a Board of Supervisors Customer Service Satisfaction form by clicking [here](#).

The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Disclosures: Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone

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

MEMORANDUM

TO: Olson Lee, Director, Mayor's Office of Housing and Community Development
Joann Hayes-White, Chief, Fire Department
Barbara Garcia, Director, Department of Public Health
Ben Rosenfield, City Controller, Office of the Controller
John Arntz, Director, Department of Elections
Jose Cisneros, Treasurer, Office of the Treasurer and Tax Collector
John Rahaim, Director, Planning Department
Brian Larkin, Acting Chair, Citizens' General Obligation Bond Oversight Committee

FROM: Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee

DATE: May 31, 2016

SUBJECT: LEGISLATION INTRODUCED

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

File No. 160552

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

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

- c: Sophie Hayward, Mayor's Office of Housing and Community Development
- Kelly Alves, Fire Department
- Colleen Chawla, Department of Public Health
- Todd Rydstrom, Office of the Controller
- Amanda Kahn Fried, Office of the Treasurer and Tax Collector
- Aaron Starr, Planning Department

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. Reactivate File No. []
- 10. 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 Imperative Form.

Sponsor(s):

Supervisor Aaron Peskin

Subject:

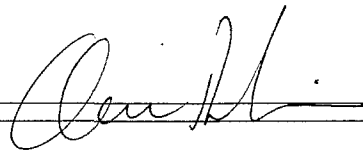
[General Obligation Bond Election - Amending Earthquake Loan Bond Program to Finance Permanent Affordable Housing]

The text is listed below or attached:

Ordinance calling and providing for a special election to be held in the City and County of San Francisco (City) on November 8, 2016, for the purpose of submitting to San Francisco voters a proposition to amend Proposition A (approved November 1992) to authorize the City to incur general obligation bonded indebtedness (Bonds) for the additional purposes of providing loans to finance the costs to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the priority policies of Planning Code, Section 101.1(b), and with the General Plan.

[Handwritten signature]

Signature of Sponsoring Supervisor:

A handwritten signature in cursive script, appearing to be 'C. M.', written over a horizontal line.

For Clerk's Use Only:

Wong, Linda (BOS)

From: Council of Community Housing Organizations <ccho@sfc-409.org>
Sent: Tuesday, July 12, 2016 2:06 PM
To: Farrell, Mark (BOS); Tang, Katy (BOS); Yee, Norman (BOS); Peskin, Aaron (BOS)
Cc: Angulo, Sunny (BOS); Lee, Olson (MYR); Hayward, Sophie (MYR); Buckley, Jeff (MYR); Low, Jen (BOS); Wong, Linda (BOS)
Subject: July 13, 2016, Items 1 & 2: Amending Earthquake Loan Bond Program to Finance Acquisition and Rehabilitation of Affordable Housing
Attachments: CCHO support for SSLP bond expanded uses(1).pdf

Chair Farrel, members of Board Budget and Finance Committee:

The Council of Community Housing Organizations is writing to express its full support for the ballot measure to expand the uses of remaining 1992 UMB Bond funds. The parameters as written into the measure include:

...acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings (defined as three or more units) in need of seismic, fire, health and safety upgrades or other major rehabilitation for habitability and conversion of such buildings to permanent affordable housing.

There are "at risk" residential buildings in all districts of the City. For example, since the launch of the City's Small Sites Program, the San Francisco Land Trust has acquired seven buildings, of which three require "soft-story" retrofit and two require additional "fire safety" measures (e.g., sprinklers), located in Districts 1, 5, and 6. Mission Economic Development Agency is currently working on the acquisition of several buildings in District 9, many with code violations such as egress code violation, foundation issues, underground storage tanks, and required soft story retrofits. Similarly, Chinatown Community Development Agency in District 3 worked with the Land Trust on the successful acquisition and rehabilitation of the 53 Columbus apartments several years ago and is currently looking at a number of SRO buildings, and San Francisco Housing Development Corporation in District 10 is looking at prospects for small residential apartment acquisitions.

But as important as its implications for life & safety, this measure is an urgent anti-displacement initiative, providing the funding to help to preserve existing at-risk buildings and stabilize the tenants and surrounding communities. Many of these buildings have tenants who are facing Ellis Act evictions, which will only be avoided if the buildings are acquired by nonprofits and converted into permanent affordable housing.

The expanded use of the UMB funding to include "acquisition/rehab" of rent-controlled buildings and SROs in need of seismic, fire and safety needs, especially those that provide affordable rent prices for long-time, low-income people, will achieve a triple community impact of: 1) improving safety, 2) preventing the loss of rent-controlled units and 3) preventing the eviction of long-time, lower income residents from these buildings when the current owners need to sell.

We strongly urge your support of this measure to increase available funding for preservation and expansion of the City's stock of permanently affordable housing.

Thank you,

Fernando Martí and Peter Cohen
Co-directors, Council of Community Housing Organizations

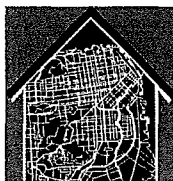
SF Council of Community Housing Organizations

The voice of San Francisco's affordable housing movement

325 Clementina Street, San Francisco 94103

415-882-0901 office

www.sfccho.org



COUNCIL OF COMMUNITY HOUSING ORGANIZATIONS

The voice of San Francisco's affordable housing movement

July 11, 2016

Board of Supervisors
Budget & Finance Committee

Subject: Amending Earthquake Loan Bond Program to Finance Acquisition and Rehabilitation of Affordable Housing

Dear Supervisors:

The Council of Community Housing Organizations is writing to express its full support for the ballot measure to expand the uses of remaining 1992 UMB Bond funds. The parameters as written into the measure include:

...acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings (defined as three or more units) in need of seismic, fire, health and safety upgrades or other major rehabilitation for habitability and conversion of such buildings to permanent affordable housing.

There are "at risk" residential buildings in all districts of the City. For example, since the launch of the City's Small Sites Program, the San Francisco Land Trust has acquired seven buildings, of which three require "soft-story" retrofit and two require additional "fire safety" measures (e.g., sprinklers), located in Districts 1, 5, and 6. The inset map here shows the extent of buildings with soft-story retrofit needs, as a snapshot of needs and potential opportunities for use of this funding.

Mission Economic Development Agency is currently working on the acquisition of several buildings in District 9, many with code violations such as egress code violation, foundation issues, underground storage tanks,

Soft Story Property List - By Tier as of 06-22-16

Map of the City of San Francisco, CA 94103, showing the location of the City of San Francisco, CA 94103, and the location of the City of San Francisco, CA 94103.



325 Clementina Street, San Francisco, CA 94103 | ccho@sfic-409.org | 415.882.0901

The Council of Community Housing Organizations (CCHO) is a coalition of 23 community-based housing developers, service providers and tenant advocates. We fight for funding and policies that shape urban development and empower low-income and working-class communities. The work of our member organizations has resulted in nearly 30,000 units of affordable housing, as well as thousands of construction and permanent jobs for city residents.

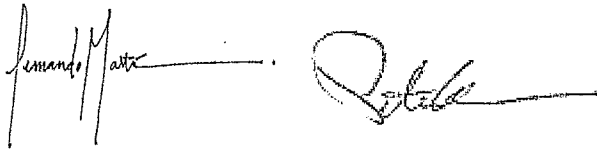
and required soft story retrofits. Similarly, Chinatown Community Development Agency in District 3 worked with the Land Trust on the successful acquisition and rehabilitation of the 53 Columbus apartments several years ago and is currently looking at a number of SRO buildings, and San Francisco Housing Development Corporation in District 10 is looking at prospects for small residential apartment acquisitions.

But as important as its implications for life & safety, this measure is an urgent anti-displacement initiative, providing the funding to help to preserve existing at-risk buildings and stabilize the tenants and surrounding communities. Many of these buildings have tenants who are facing Ellis Act evictions, which will only be avoided if the buildings are acquired by nonprofits and converted into permanent affordable housing.

The expanded use of the UMB funding to include "acquisition/rehab" of rent-controlled buildings and SROs in need of seismic, fire and safety needs, especially those that provide affordable rent prices for long-time, low-income people, will achieve a triple community impact of: 1) improving safety, 2) preventing the loss of rent-controlled units and 3) preventing the eviction of long-time, lower income residents from these buildings when the current owners need to sell.

We strongly urge your support of this measure to increase available funding for preservation and expansion of the City's stock of permanently affordable housing.

Thank you,

The image shows two handwritten signatures in black ink. The first signature on the left is 'Fernando Martí' with a long horizontal line extending to the right. The second signature on the right is 'Peter Cohen' with a long horizontal line extending to the right.

Fernando Martí and Peter Cohen
Co-directors, Council of Community Housing Organizations

Copies to: Olson Lee and Sophie Hayward, Mayor's Office of Housing
Jeff Buckley, Mayor's Office

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

June 24, 2016


TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: June 29, 2016 Budget and Finance Committee Meeting

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Items 1 and 2
Files 16-0557 and 16-0552

Departments:
Controller's Office of Public Finance
Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- 16-0557: Resolution determining and declaring the public interest and necessity demand the construction, acquisition, improvement, rehabilitation and conversion of "at-risk" multi-unit residential buildings to permanent affordable housing and performing needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability, to be financed through bonded indebtedness not to exceed \$350,000,000; providing for the levy and collection of taxes to pay the bond principal and interest; setting procedures for the election; adopting findings under the California Environmental Quality Act (CEQA), Administrative Code Chapter 31 and the Planning Code; and waiving time limits in Administrative Code, Section 2.34.
- 16-0552: Ordinance calling for a special election on November 8, 2016 to submit a proposition to San Francisco voters to amend Proposition A approved by voters in November 1992 to authorize additional purposes for providing general obligation bonded indebtedness loans for affordable housing.

Key Points

- On November 3, 1992, San Francisco voters approved a \$350,000,000 General Obligation bond to fund a Seismic Safety Loan Program to provide seismic loans for unreinforced masonry buildings, including \$150 million for affordable housing and \$200 million for market-rate residential, commercial and institutional buildings. Of the total \$350,000,000 authorized in 1992, \$260,684,550 of that authorization remains after almost 24 years, including \$156,000,000 for market rate loans.

Fiscal Impact

- The proposed legislation expands the use of the existing seismic safety market rate loan funds, but does not increase or add any new authorization to issue more than the existing \$200 million of market rate bonds. Therefore, there is no net new fiscal impact to the City to approve the requested legislation.
- Without additional detail on the anticipated need for these market rate loan funds, and/or project details, the Office of Public Finance cannot currently estimate the number of bond issuances, timing of such bond sales, amounts of each issuance, or interest rates and related costs.
- There would be no additional levy on property taxpayers to repay the proposed debt service. Rather, the City would be fully reimbursed through loan payments by the borrowers of the loan for the cost of the debt service on the market rate bonds. Market rate borrowers would also be charged 1% additional interest to cover the City's Office of Public Finance costs, plus a 1.5% bond origination fee to cover MOHCD's costs, which would provide full City cost recovery.

Recommendations

- The Board of Supervisors may want to consult with MOHCD to determine an agreed upon definition for which properties would qualify to receive these loans to create permanent affordable housing.
- Approval of the proposed resolution and ordinance to submit a \$350 million General Obligation bond to San Francisco voters for the November 2016 ballot is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose. Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance.

City Administrative Code Section 2.34 requires that a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

Background

On November 3, 1992, San Francisco voters approved a \$350,000,000 General Obligation bond to fund a Seismic Safety Loan Program (Proposition A) to provide loans for private owners to seismically strengthen their unreinforced masonry buildings. Under the existing \$350 million Seismic Safety Loan Program, which is administered by the Mayor's Office of Housing and Community Development (MOHCD), \$150 million is authorized for affordable housing and \$200 million is authorized for market-rate residential, commercial and institutional buildings. As shown in Table 1 below, of the total \$350,000,000 in bonds authorized in 1992, \$260,684,550 of that authorization remains after almost 24 years, including \$156,000,000 remaining bond authorization for market rate loans.

Table 1: Existing Seismic Safety Loan Program Bond Authorizations

	Total	Affordable Housing	Market Rate
Bonds Authorized	\$350,000,000	\$150,000,000	\$200,000,000
Bonds Issued to Date	<u>89,315,450</u>	<u>45,315,450</u>	<u>44,000,000</u>
Remaining Bond Authorization	\$260,684,550	\$104,684,550	\$156,000,000

DETAILS OF PROPOSED LEGISLATION

Under the proposed resolution (File 16-0557), the Board of Supervisors would

(a) Determine and declare that the public interest and necessity demand the acquisition, improvement, rehabilitation and preservation of affordable housing in the City for low- and middle-income households and incurring up to \$350,000,000 of General Obligation bond costs is necessary or convenient for such purposes;

(b) Find that the \$350,000,000 of General Obligation Bonds previously authorized under Proposition A in 1992 is and will be too great to be paid out of the ordinary annual income and

revenue of the City, will require an expenditure greater than the amount allowed by the annual tax levy and will require the incurrence of an amount not to exceed \$350,000,000;

(c) Find that the proposed bond is a funding mechanism and not a project under the California Environmental Quality Act (CEQA);

(d) Find that the proposed bond is in conformity with the priority policies of Planning Code, Section 101.1(b) and consistent with the General Plan;

(e) Waive the time limits set forth in Administrative Code Section 2.34; and

(f) Declare the City's intent to reimburse prior expenditures related to this project incurred prior to the issuance and sale of these bonds with bond proceeds.

Under the proposed ordinance (File 16-0552), the Board of Supervisors would

(a) Call and provide for a special election to be held in San Francisco on November 8, 2016 to submit to San Francisco voters a proposition to amend Proposition A approved by San Francisco voters in November 1992 to authorize the City to incur General Obligation bonded indebtedness for additional purposes of providing loans to cover costs to acquire, improve rehabilitate and convert at-risk multi-unit residential buildings to permanent affordable housing, including related costs;

(b) Provide for the levy and collection of taxes to pay principal and interest on bonds;

(c) Incorporate Administrative Code provisions for the Citizens' General Obligation Bond Oversight Committee's review;

(d) Set procedures and requirements for the election; and

(e) Adopt CEQA and General Plan and Planning Code findings.

The proposed resolution and ordinance would not add to the previously approved \$200 million General Obligation bond market rate authorization shown in Table 1 above, but rather would expand the scope of eligible uses for the market rate bond proceeds. Currently, market rate loan proceeds are only available for seismic strengthening of unreinforced masonry buildings and the related administrative costs for market rate residential, commercial and institutional buildings. Under the proposed legislation, eligible uses of the market rate loan proceeds would be expanded to include financing the cost to acquire, improve and rehabilitate at-risk multi-unit residential buildings of three units or more in need of fire, health and safety upgrades or other major rehabilitation for habitability, including mixed-use residential buildings in order to convert such structures to permanent affordable housing.

According to the office of the sponsor of the proposed legislation, expanding the eligibility for the use of these loan funds will allow non-profit affordable housing developers to convert properties to permanently affordable housing through the City's Small Site Acquisition and Rehabilitation Program¹ or through other means. Although not defined in the proposed legislation, the office of the sponsor advises that permanent affordable housing is generally defined as price-controlled housing according to Area Median Income limits for residents who

¹ The City's Small Site Acquisition and Rehabilitation Program, administered by the Mayor's Office of Housing and Community Development, identifies potential existing properties at risk of losing their affordability that can be acquired or rehabilitated in order to retain affordable housing in the City.

qualify, and which generally remain affordable for at least 55 years, as enforced by MOHCD. The Board of Supervisors may want to consult with MOHCD to determine an agreed upon definition for which properties would qualify to receive these loans to create permanent affordable housing.

Mr. Brian Strong, Director of the City's Capital Planning Program advises that the proposed resolution and ordinance are scheduled to be heard by the Capital Planning Committee on Monday, June 27, 2016.

FISCAL IMPACT

No Additional Bond Authorization

As discussed above, San Francisco voters previously authorized \$350 million of General Obligation bonds for the existing Seismic Safety Loan Program, including \$200 million for market rate loans. As shown in Table 1 above, \$156,000,000 of market rate loan authorization still exists for General Obligation bonds which have never been issued. Since the proposed legislation simply expands the use of the market rate loan funds, but does not increase or add any new authorization to issue more than the existing \$200 million of market rate bonds, there is no net new fiscal impact to the City to approve the requested legislation. The proposed legislation could expedite the use of the market rate bond proceeds that are issued and loans provided, however, the demand for such market rate loan proceeds is not currently known.

Future Market Rate Bond Issuances

Ms. Jamie Querubin, Bond Analyst in the Office of Public Finance advises that any new market rate bonds would include pricing assumptions similar to the previous bond transactions under the existing Seismic Safety Loan Program. However, Ms. Querubin reports that without additional detail on the anticipated need for these market rate loan funds, and/or project details, the Office of Public Finance cannot currently estimate the number of bond issuances, timing of such bond sales, amounts of each issuance or interest rates and related costs. The most recent bond issuance under the existing Seismic Safety Loan Program was in 2015 for \$24 million and was structured as a 20-year, variable-rate direct purchase loan at a 3.0% estimated average annual interest rate.

In accordance with Section 5.31 of the Administrative Code, one-tenth of one percent (0.1%) of the bonds gross proceeds would be deposited into the Controller's Office fund, to be appropriated by the Board of Supervisors to cover the costs of the Citizens' General Obligation Bond Oversight Committee. In addition, the Controller's City Service Audit fee, bond issuance costs, and underwriter's discount fees would be included in the City's bond total costs.

Repayment of Loans to be Fully Reimbursed by Borrowers

Repayment of annual debt service for most General Obligation Bonds is recovered through increases to the annual Property Tax rate. However, because the market rate Seismic Safety Loan Program is a fully reimbursable loan program, there would be no additional levy on

property taxpayers to repay the proposed debt service. Mr. Benjamin McCloskey, Deputy Director of Finance and Administration for MOHCD advises that under the existing market rate Seismic Safety Loan Program, the City is fully reimbursed through loan repayments by the borrowers of the loans for the cost of the debt service on the market rate bonds. In addition, the market rate borrowers are charged 1% additional interest over the City's cost of borrowing to cover the City's Office of Public Finance costs, plus a 1.5% bond origination fee to cover MOHCD's costs. If MOHCD administers the proposed market rate loan program to continue to provide full City cost recovery, there would be no additional costs to the City.

However, Mr. McCloskey advises, that depending on the additional work required by the proposed program, the MOHCD may need to add one additional full-time equivalent (FTE) staff to administer this program.

POLICY CONSIDERATION

Approval of the proposed resolution (File 16-0557) requires two-thirds or more of the Board of Supervisors approval and approval by the Mayor. In addition, approval of this \$350,000,000 General Obligation Bond would require approval by at least two-thirds of San Francisco voters.

RECOMMENDATIONS

1. The Board of Supervisors may want to consult with MOHCD to determine an agreed upon definition for which properties would qualify to receive these loans to create permanent affordable housing.
2. Approval of the proposed resolution and ordinance to submit a proposition to San Francisco voters to expand the uses of the existing \$350 million Seismic Safety General Obligation bond program for the November 2016 ballot is a policy decision for the Board of Supervisors.