

File No. 180318

Committee Item No. 1

Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: _____
Board of Supervisors Meeting

Date: May 18, 2018
Date: June 5, 2018

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Public Correspondence |

OTHER

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>SRO Task Force Recommendation - Received May 16, 2018</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Rent Board Presentation - May 18, 2018</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Referral FYI - April 10, 2018</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Chair's Committee Report Request Memo - May 17, 2018</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Prepared by: John Carroll
Prepared by: _____

Date: May 21, 2018
Date: _____

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

RULES COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Ahsha Safai, Chair
Rules Committee

FROM: John Carroll, Assistant Clerk

DATE: May 21, 2018

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, May 22, 2018

The following file should be presented as a **COMMITTEE REPORT** at the Board Meeting on Tuesday, May 22, 2018. This item was acted upon at the Rules Committee Meeting on Friday, May 18, 2018, at 10:30 a.m., by the votes indicated.

Item No. 38 File No. 180318

Administrative Code - Landlord Operating and Maintenance Expenses

Ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and property tax that have resulted from a change in ownership; and to prohibit landlords from seeking rent increases due to increased management expenses unless the expenses are reasonable and necessary.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Ahsha Safai - Aye
Supervisor Norman Yee - Aye
Supervisor Catherine Stefani - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Alisa Somera, Legislative Deputy Director
Jon Givner, Deputy City Attorney

1 [Administrative Code - Landlord Operating and Maintenance Expenses]

2
3 **Ordinance amending the Administrative Code to prohibit landlords from seeking rent**
4 **increases on existing tenants due to increases in debt service and property tax that**
5 **have resulted from a change in ownership; and to prohibit landlords from seeking rent**
6 **increases due to increased management expenses unless the expenses are reasonable**
7 **and necessary.**

8 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
9 **Additions to Codes** are in *single-underline italics Times New Roman font*.
10 **Deletions to Codes** are in ~~*italics Times New Roman font*~~.
11 **Board amendment additions** are in double-underlined Arial font.
12 **Board amendment deletions** are in ~~Arial font~~.
13 **Asterisks (* * * *)** indicate the omission of unchanged Code
14 subsections or parts of tables.

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

16 Section 1. Purpose and Findings.

17 (a) The Residential Rent Stabilization and Arbitration Ordinance (the "Rent
18 Ordinance") is intended to protect tenants from excessive rent increases while also assuring
19 that landlords receive fair and adequate rents. Thus, although rents are capped, a landlord
20 may increase a tenant's base rent by a certain percentage each year. This annual increase is
21 generally sufficient to provide landlords fair and adequate rents.

22 (b) A landlord may also file a petition with the Rent Board to increase base rents
23 beyond the annual increase, by up to an additional 7%, if the annual increase does not
24 completely cover the landlord's increased operating and maintenance ("O&M") expenses.
25 Examples of O&M expenses include the cost of day-to-day repairs, insurance, pest control,
garbage, water, and security. The purpose of an O&M increase is to help a landlord recover

1 from existing tenants the reasonable cost of keeping the building habitable, and to keep pace
2 with cost increases over time, to the extent the annual increase is not sufficient to cover those
3 cost increases.

4 (c) In recent years, more and more landlords have sought O&M increases on the
5 basis that their debt service and property tax costs have suddenly increased. But these costs
6 do not reflect amounts that were reinvested to maintain or improve the buildings. Rather, the
7 landlords claiming these increases are new buyers who are seeking to offset the costs of
8 acquiring property. The increase in property tax is based on the change in ownership and
9 reflects the high amounts that these buyers are willing to pay for these buildings; the annual
10 increase is intended to cover annual tax increases due to inflation. The increase in debt
11 service is due to the high amount of debt these buyers are willing to take on, and most rent
12 control jurisdictions in California do not allow rent increases based on increased debt service.
13 In short, property tax and debt service are not true O&M expenses, and treating them as such
14 encourages real estate speculation, fuels tenant displacement, and circumvents the purpose
15 of rent control.

16 (d) An article in the *San Francisco Chronicle* on December 11, 2017, documented
17 that many tenants in rent-controlled housing in San Francisco have recently experienced
18 exorbitant rent increases after their buildings were acquired by new owners (often large real
19 estate investment firms), largely because the owners were able to petition for O&M increases
20 to cover the cost of paying off loans taken to buy the buildings and the higher property taxes
21 that had resulted from the purchase price. Since the article was published, the Rent Board
22 has seen a dramatic spike in O&M petitions seeking increases based on property tax and debt
23 service, and many of the tenants of these landlords are now at risk of displacement. The
24 Board of Supervisors intends to prevent landlords from taking advantage of this loophole that
25 the news article exposed.

1 Section 2. The Administrative Code is hereby amended by revising Section 37.8 to
2 read as follows:

3 **SEC. 37.8. ARBITRATION OF RENTAL INCREASE ADJUSTMENTS.**

4 * * * *

5 (e) **Hearings.**

6 * * * *

7 (4) **Determination of the Administrative Law Judge: Rental Units.** Based upon
8 the evidence presented at the hearing and upon such relevant factors as the Board shall
9 determine, the Administrative Law Judge shall make findings as to whether ~~or not~~ the
10 landlord's proposed rental increase exceeding the limitations set forth in Section 37.3 is
11 justified or whether ~~or not~~ the landlord has effected a rent increase through a reduction in
12 services or has failed to perform ordinary repair and maintenance as required by State or local
13 law; and provided further that, where a landlord has imposed a passthrough ~~for property taxes~~
14 pursuant to this Chapter 37 Section 37.3(6)(D), the same ~~costs increase in property taxes~~ shall not
15 be included in the calculation of increased operating and maintenance expenses pursuant to
16 this ~~S~~ subsection (4). In making such findings, the Administrative Law Judge shall take into
17 consideration the following factors:

18 (A) Increases or decreases in operating and maintenance expenses, including,
19 but not limited to, ~~real estate taxes, water and sewer service charges, janitorial service, refuse~~
20 ~~removal, elevator service, security system, insurance for the property, routine repairs and~~
21 maintenance; and debt service and real estate taxes as set forth in subsections (i) and (ii); and
22 reasonable and necessary management expenses as set forth in subsection (iii).

23 (i) ; provided, however, when a unit is purchased after the effective date of this
24 ordinance, For petitions filed before December 11, 2017, and this purchase occurs the Rent Board may
25 consider increased debt service and increased real estate taxes; provided, however, that if the property

1 has been purchased within two years of the date of the previous purchase, consideration shall
2 not be given to that portion of increased debt service which has resulted from a selling price
3 which exceeds the seller's purchase price by more than the percentage increase in the
4 "Consumer Price Index for All Urban Consumers for the San Francisco-Oakland Metropolitan
5 Area, U.S. Department of Labor" between the date of previous purchase and the date of the
6 current sale, plus the cost of capital improvements or rehabilitation work made or performed
7 by the seller.

8 (ii) For petitions filed on or after December 11, 2017, the Rent Board shall not
9 consider any portion of increased debt service, or that portion of increased real estate taxes that has
10 resulted from an increased assessment due to a change in ownership; provided, however, that the Rent
11 Board may consider that portion of increased real estate taxes that has resulted from the completion of
12 needed repairs or capital improvements with respect to any petition filed on or after December 11,
13 2017; and provided, further, that the Rent Board may consider increased debt service and increased
14 real estate taxes in a petition filed on or after December 11, 2017 pursuant to Section 37.8(e)(4)(A)(i),
15 if the landlord demonstrates that it had purchased the property on or before April 3, 2018 and that it
16 had reasonably relied on its ability to pass through those costs at the time of the purchase.

17 (iii) For petitions filed on or after the effective date of the ordinance in Board of
18 Supervisors File No. 180318, the Rent Board may consider management expenses only to the extent
19 those expenses are reasonable and necessary, based on factors such as the need to provide day-to-day
20 management of the building; the level of management services previously required for the building; the
21 reasonable cost of the services in an arms-length transaction; whether any tenants have objected that
22 the cost and quality of the services are not in keeping with the socioeconomic status of the building's
23 existing tenants; and other extraordinary circumstances.

24 (B) The past history of increases in the rent for the unit and the comparison of
25 the rent for the unit with rents for comparable units in the same general area.

1 (C) Any findings which have been made pursuant to Section 37.7 with respect to
2 the unit.

3 (D) Failure to perform ordinary repair, replacement, and maintenance in
4 compliance with applicable State and local law.

5 (E) Any other such relevant factors as the Board shall specify in rules and
6 regulations.

7
8 Section 3. Effective Date. This ordinance shall become effective 30 days after
9 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
10 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
11 of Supervisors overrides the Mayor's veto of the ordinance.

12
13 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
14 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
15 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
16 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
17 additions, and Board amendment deletions in accordance with the "Note" that appears under
18 the official title of the ordinance.

19
20 Section 5. Severability. If any section, subsection, sentence, clause, phrase, or word
21 of this ordinance, or any application thereof to any person or circumstance, is held to be
22 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
23 shall not affect the validity of the remaining portions or applications of the ordinance. The
24
25

1 Board of Supervisors hereby declares that it would have passed this ordinance and each and
2 every section, subsection, sentence, clause, phrase, and word not declared invalid or
3 unconstitutional without regard to whether any other portion of this ordinance or application
4 thereof would be subsequently declared invalid or unconstitutional.

5
6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

8 By: 
9 MANU PRADHAN
Deputy City Attorney

10 n:\legana\as2018\1800310\01275867.docx

REVISED LEGISLATIVE DIGEST
(Substituted, 5/15/2018)

[Administrative Code - Landlord Operating and Maintenance Expenses]

Ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and property tax that have resulted from a change in ownership; and to prohibit landlords from seeking rent increases due to increased management expenses unless the expenses are reasonable and necessary.

Existing Law

The Rent Ordinance allows a landlord to increase rents by a certain percentage each year (the "annual increase"). If the annual increase for a given year does not cover the amount by which the landlord's operating and maintenance ("O&M") expenses have increased that year, the landlord may file an O&M petition to increase base rents beyond the annual increase, by up to an additional 7%, in order to cover those increased costs. The Rent Ordinance lists real estate taxes, debt service, sewer service charges, janitorial service, refuse removal, security system, and elevator service as examples of allowable O&M expenses. The Rent Board has also treated building management as an allowable O&M expense.

Amendments to Current Law

The ordinance would prohibit the Rent Board from treating debt service and real estate taxes attributable to a change in ownership as O&M expenses, and would prohibit landlords from obtaining rent increases on existing tenants based on those costs, unless the landlord had already filed an O&M petition for those costs before December 11, 2017, or unless the landlord demonstrates that it purchased the property on or before April 3, 2018 and that it reasonably relied on the ability to pass through those costs at the time of the purchase.

The ordinance would provide that the Rent Board may consider building management as an O&M expense only to the extent that the expenses are reasonable and necessary, based on various factors that are specified in the ordinance.

Background Information

Separate from the annual increase and the O&M petition process, the Rent Ordinance also lets a landlord impose other types of rent increases on existing tenants, either with or without the filing of a petition, and generally lets a landlord reset the rent at market value at the start of any new tenancy. December 11, 2017 is the date that the *San Francisco Chronicle* published an article concerning O&M petitions that are based on increased debt service and real estate taxes. April 3, 2018 is the date the ordinance was introduced.

Somera, Alisa (BOS)

From: Cheungjew, Jennifer (DBI)
Sent: Wednesday, May 16, 2018 3:55 PM
To: Board of Supervisors, (BOS); Calvillo, Angela (BOS)
Cc: Somera, Alisa (BOS); Bosque, Rosemary (DBI); Davison, Alan (DBI); Perez, Bernadette (DBI); Sanbonmatsu, Jamie (DBI); Davis Jordan (jodav1026@gmail.com)
Subject: In support File No. 180318, Operation and Maintenance Pass-through legislation

Dear Ms. Calvillo,

I staff the Single Room Occupancy (SRO) Task Force at Department of Building Inspection, which is a task force appointed by the Board of Supervisors. On April 19, 2018, the Task Force voted to support File No. 180318, Operation and Maintenance Pass-through legislation. The vote was 6 to 2 in favor of this legislation.

If you have any questions, please feel free to contact me.

Sincerely,

Jennifer Cheungjew
Housing Inspection Services
1660 Mission St, 6thFloor
San Francisco, CA 94103
Tel: (415) 558 - 6220
Desk: (415) 558 - 6048
Email: jennifer.cheung@sfgov.org
Web: www.sfdbi.org



OPERATING AND MAINTENANCE PETITIONS 5 YEAR SUMMARY

Date Filed	Number of O&M Petitions	Number of Units Affected
5/15/13 – 5/14/14	44	350
5/15/14 – 5/14/15	46	529
5/15/15 – 5/14/16	67	858
5/15/16 – 5/14/17	79	817
5/15/17 – 5/14/18	103*	1161

* 35 O&M Petitions were filed in the 7 months between 5/15/17 – 12/10/17

* 33 O&M Petitions were filed in the 1 month between 12/11/17 – 1/10/18

HOW AN OPERATING AND MAINTENANCE (O&M) RENT INCREASE IS CALCULATED

- Compare total O&M costs for 2 consecutive 12-month periods
- Categories of O&M costs currently include:

*Garbage	*Water/Sewer
*Insurance	*Property Taxes
*Debt Service	*Management
*Repairs	*Pest Control
*Elevator Service	*Other Maintenance

- | | <u>Example</u> |
|---|----------------|
| 1) Find the difference between Year 1 & Year 2 costs | = \$55,000 |
| 2) Divide by total number of units in the building (15) | = \$ 3,666 |
| 3) Divide by 12 months to get Monthly O&M Increase | = \$305.55 |
| 4) Deduct Annual Increase from Monthly O&M Increase | |
| [Tenant's Rent = \$1,800; Annual Increase (1.6%) = \$28.80] | = \$276.75 |
| 5) Tenant's O&M Increase cannot exceed 7% | = \$126.00 |

OPERATING AND MAINTENANCE DECISIONS 1 YEAR SUMMARY: 5/15/17 – 5/14/18

Number of O&M Decisions Issued: 67 (646 units affected)

Number of O&M Decisions Filed by New Owner: 91%

Of New Owner O&M Decisions:

- **100%** granted the full 7% O&M rent increase for all units
- Without consideration of Debt Service and Property Taxes:
 - **60%** would not grant any O&M rent increases
 - **40%** would grant O&M rent increases of less than 7%

Number of O&M Decisions Filed by Existing Owner: 9%

Of Existing Owner O&M Decisions:

- **100%** granted less than 7% O&M rent increase for all units (increase due to costs for repairs and/or management)

WHAT A 7% RENT INCREASE LOOKS LIKE

Tenant's Base Rent	7% of Tenant's Base Rent
\$500.00	\$35.00
\$1,000.00	\$70.00
\$1,500.00	\$105.00
\$2,000.00	\$140.00
\$2,500.00	\$175.00
\$3,000.00	\$210.00

152

**TENANT HARDSHIP APPLICATIONS
21 MONTH SUMMARY: 8/13/16 – 5/14/18**

**Number of Tenants Filing for O&M Hardship Relief: 124 of
1,781 units subject to an O&M rent increase (7%)**

- **25 (20%)** Hardship Applications Withdrawn Before Decision
- **33 (27%)** Hardship Applications Still Pending
- **66 (53%)** Hardship Decisions Issued
 - **61 (92%)** Granted
 - **5 (8%)** Denied

RENT INCREASES/CHARGES AVAILABLE TO LANDLORDS

Type of Increase	Duration?	Bankable?	Limits?
Annual Allowable Increase	Permanent	Yes – back to 1982	Varies each year
General Bond Passthrough	12 months	Yes – back to 1998	None
Water Revenue Bond Passthrough	12 months	Yes – back to 2005	None
Utility Passthrough	12 months	No	None
Rent Board Fee	1 month	Yes – back to 1999	None
Capital Improvement Passthrough	7, 10, 15 or 20 years	Yes	5% or 10% per year
Operating & Maintenance	Permanent	No	7%

Other increases may be available for individual tenancies based on comparable rents, Costa-Hawkins Rental Housing Act, Regulation 1.21 or Proposition I.



TEL: (415) 347-8600
 FAX: (415) 366-8433

600 California Street, 19th Floor
 San Francisco, CA 94108

May 23, 2017

RE: Annual Rent Increase

Dear Tenant(s)

The following changes are being made to your rent in accordance with the guidelines of the Residential Rent Stabilization and Arbitration Board, City and County of San Francisco.

This is to notify you that beginning August 1, 2017, your monthly rent charges will change as follows:

Charge Description	Current Base Rent	New Base Rent	% Change
Rent - Unit	\$1,010.20	\$1,048.58	3.80%
Rent - Storage	\$125.00	\$125.00	
Proposed Op & Maint Passthroughs (effective 08/01/2017)		\$79.46	
General Bond Passthrough 15/16 (effective 08/01/2017 to 07/31/2018)		\$52.49	
General Bond Passthrough 16/17 (effective 08/01/2017 to 07/31/2018)		\$47.92	
Capital Improv. Passthrough 10yr (effective 02/01/2013 to 01/31/2023)		\$96.32	
Capital Improv. Passthrough 10yr (effective 02/01/2014 to 01/31/2024)		\$80.85	
Capital Improv. Passthrough 10yr (effective 10/01/2008 to 09/30/2018)		\$33.85	
Water Bond Passthrough 2015 (effective 08/01/2017 to 07/31/2018)		\$3.75	
Total New Charges		\$1,568.22	

LANDLORD EXHIBIT A
 PAGE 3 OF 16

ONE TIME ONLY CHARGES

	-	\$0.00
Add Rent Board Fee 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004	+	\$279.50
Add to your August 1, 2017 rent payment		\$279.50
August 1, 2017 Total Rent Charges		\$1,847.72

NEW MONTHLY CHARGES

Total Rent Charges beginning September 1, 2017		\$1,568.22
---	--	-------------------

RENT INCREASE CALCULATION
Based on SF Rent Board

Monthly Rent	Use Increase	Allowable Increase %	Effective Period		Increase Rent / Pet	Increase Parking	Increase Storage	% Increase Amount
			Start	End				
\$1,010.20	Y	2.20	03/01/17	02/28/18	\$22.22	\$0.00	\$0.00	2.20%
\$1,010.20	Y	1.60	03/01/16	02/28/17	\$16.16	\$0.00	\$0.00	1.60%
			Subtotal		\$38.38	\$0.00	\$0.00	
			OLD BASE RENT		\$1,010.20	\$0.00	\$0.00	
			NEW BASE RENT		<u>\$1,048.58</u>	\$0.00	\$0.00	<u>\$1,048.58</u>

All rent payments shall be made payable to:

If you have any questions, please do not hesitate to contact us.

Advice regarding this notice is available from the San Francisco Residential Rent Arbitration and Stabilization Board at 25 Van Ness Avenue, Suite 320, San Francisco, California; Telephone: (415) 252-4600.

Thank you,

Sincerely,

Greentree Property Management

LANDLORD EXHIBIT A

4 of 16

NOTICE OF CHANGE OF TERMS OF TENANCY

TO: NAME AND ADDRESS OF TENANT(S) IN POSSESSION:

TO: TENANT(S) IN POSSESSION AND TO ALL OTHER OCCUPANTS:

PLEASE TAKE NOTICE THAT YOUR TENANCY OF THE ABOVE-DESCRIBED PREMISES WILL CHANGE AS FOLLOWS:

Effective at least SIXTY (60) Days from the below date, or commencing with your **May 1, 2017**, rental installment, your rent will increase. This increase is based on your regular annual increase, a proposed Operating and Maintenance Passthrough, and General Bond increases. Please be advised that the increase is labeled "Proposed" are subject to approval by the Rent Board and you have the option to withhold payment for these items until the Rent Board issues a final decision. Please be advised, however, that the increases will be effective on the effective date of this notice and will be due retroactively in full once the Rent Board's issues its final decision. All other increases are not optional to pay and are due on the effective date. This increase is itemized as follows:

Current Base Rent	\$ 847.05	
Plus Annual and banked Increases, if applicable (Last increase 3/1/13, increase due for 3/1/14 - 1%, 3/1/15 - 1.9%, 3/1/16 - 1.6%, 5/1/17 - 2.2% for a total of 6.7%)	\$ 56.75	
Plus Proposed Operating and Maintenance Petition (7%) filed 2/24/17	\$ 59.29	
New Proposed Base Rent		\$ 963.09
Plus General Bond Passthrough(s) (see attached worksheet(s), effective for one year)		\$ 86.79
1999/2000	\$ 0.37	
2000/2001	\$ 0.54	
2001/2002	\$ 0.60	
2002/2003	\$ 0.62	
2003/2004	\$ 0.58	
2004/2005	\$ 0.61	
2005/2006	\$ 0.60	
2006/2007	\$ 0.58	
2007/2008	\$ 0.49	
2008/2009	\$ 0.80	
2009/2010	\$ 1.08	
2010/2011	\$ 1.36	
2011/2012	\$ 1.71	
2012/2013	\$ 2.36	
2013/2014	\$ 2.61	
2014/2015	\$ 2.62	
2015/2016	\$ 36.20	
2016/2017	\$ 33.06	
New Rent effective May 1, 2017		\$ 1,049.88

Advice regarding this notice is available at the San Francisco Residential Rent Stabilization and Arbitration Board. (415) 252-4602

DATED: FEBRUARY 24, 2017

AGENT FOR OWNER: GAETANI REAL ESTATE
(415) 668-1202

Served by U.S. Mail this 24th day of FEBRUARY 2017 from San Francisco, California.

LANDLORD EXHIBIT 1
PAGE 9 OF 11

NOTICE OF CHANGE OF TERMS OF TENANCY

TO: NAME AND ADDRESS OF TENANT(S) IN POSSESSION:

TO: TENANT(S) IN POSSESSION AND TO ALL OTHER OCCUPANTS:

PLEASE TAKE NOTICE THAT YOUR TENANCY OF THE ABOVE-DESCRIBED PREMISES WILL CHANGE AS FOLLOWS:

Effective at least SIXTY (60) Days from the below date, or commencing with your **May 1, 2017**, rental installment, your rent will increase. This increase is based on your regular annual increase, a proposed Operating and Maintenance Passthrough, and General Bond increases. Please be advised that the increase is labeled "Proposed" are subject to approval by the Rent Board and you have the option to withhold payment for these items until the Rent Board issues a final decision. Please be advised, however, that the increases will be effective on the effective date of this notice and will be due retroactively in full once the Rent Board's issues its final decision. All other increases are not optional to pay and are due on the effective date. This increase is itemized as follows:

Current Base Rent	\$ 2,500.00	
Plus Annual and banked Increases, if applicable (No increase since move in 3/1/13, increases due for 3/1/14 - 1.0%, 3/1/15 - 1.9%, 3/1/16 - 1.6%, 5/1/17 - 2.2% for a total increase of 6.7%)	\$ 167.50	
Plus Proposed Operating and Maintenance Petition (7%) filed 2/24/17	\$ 175.00	
New Proposed Base Rent		\$ 2,842.50
Plus General Bond Passthrough(s) (see attached worksheet(s), effective for one year)		\$ 74.49
1999/2000	n/a	
2000/2001	n/a	
2001/2002	n/a	
2002/2003	n/a	
2003/2004	n/a	
2004/2005	n/a	
2005/2006	n/a	
2006/2007	n/a	
2007/2008	n/a	
2008/2009	n/a	
2009/2010	n/a	
2010/2011	n/a	
2011/2012	n/a	
2012/2013	n/a	
2013/2014	\$ 2.61	
2014/2015	\$ 2.62	
2015/2016	\$ 36.20	
2016/2017	\$ 33.06	
New Rent effective May 1, 2017		\$ 2,916.99

Advice regarding this notice is available at the San Francisco Residential Rent Stabilization and Arbitration Board. (415) 252-4602.

DATED: FEBRUARY 24, 2017

AGENT FOR OWNER: GAETANI REAL ESTATE
(415) 668-1202

Served by U.S. Mail this 24th day of FEBRUARY 2017 from San Francisco, California.

 3 OF 11



**Residential Rent Stabilization and Arbitration Board
City & County Of San Francisco**

**103 - Operating & Maintenance Petitions by Zip Code
5/15/2017 to 5/14/2018**

Petition Number	Filing Date	Number of Units		Landlord Name	Address	Total Petitions
		in Bldg	in Petition			
94102		190	126			5
L171000	05/26/17	12	10	355 Grove Street Llc	355 Grove Street/254 Ivy Street	
L172075	10/27/17	41	26	145 Fell Street, Llc	145 Fell Street	
L172262	12/11/17	64	52	Windeler Llc	424 Ellis Street	
L180193	01/23/18	32	15	Jekyll Apartments, Llc	138 Hyde Street	
L180344	02/14/18	41	23	Palace Court, Llc	555 O'farrell Street	
94103		60	42			8
L172264	12/11/17	6	3	1353 Stevenson, Lp	1353-1357 Stevenson Street	
L172307	12/12/17	3	3	Lawrence D. Chan	48-52 Woodward Street	
L180027	01/05/18	8	5	35-41 Lafayette I6, Llc	33-43 Lafayette Street	
L180028	01/05/18	17	15	320-324 14th, Llc	320-326 14th Street	
L180067	01/08/18	8	7	179 Dolores Street Llc	179 Dolores Street	
L180165	01/22/18	6	4	Sf Multifamily I Llc	104-114 Guerrero Street	
L180166	01/22/18	6	4	Sf Multifamily I Llc	1338-1342 Stevenson Street	
L180648	04/02/18	6	1	644-648 Natoma Apts. Llc	644-648 Natoma Street	
94107		3	1			1
L171366	07/20/17	3	1		1704-1708 20th Street	
1108		171	123			6
L171192	06/30/17	17	11	1055 Mason Llc	1055 Mason Street	
L171614	08/08/17	34	21	634 Powell I5, Llc	634 Powell Street	
L171878	09/28/17	48	33	655 Powell I5, Llc	655 Powell Street	
L180139	01/22/18	40	29	665 Pine I7, Lp	665 Pine Street	
L180275	02/01/18	24	21	977 Pine I7 Llc	977 Pine Street	
L180673	04/09/18	8	8	1046 Mason Street, Llc	1046 Mason Street	
94109		722	407			23
L171186	06/27/17	13	9	1571 Sacramento Street Llc	1571-1577 Sacramento Street	
L171203	06/26/17	32	32	Pine Properties, Llc	1739 Pine Street	
L171319	07/12/17	15	13	522 Hyde Street Llc	522 Hyde Street	
L171333	07/12/17	42	29	1106 Bush Street Llc	1106 Bush Street	
L172072	10/26/17	15	9	Webco Group, Llc	1550-1560 Hyde Street	
L172074	10/27/17	16	9	1631 Sacramento Street, Llc	1631-1637 Sacramento Street	
L172260	12/08/17	38	10	333-335 Hyde, Llc	333-335 Hyde Street	
L172266	12/11/17	9	8	Mary Kay Hartley	1885 Pacific Avenue	
L172283	12/11/17	22	11	1330 Union Street, Llc	1330 Union Street	
L172310	12/13/17	19	13	1025 Sutter I5, Llc	1025 Sutter Street	
L172312	12/15/17	31	11	Sic-mcm 72 Gough Street, Lp	64-78 Gough Street	
L172314	12/15/17	51	20	Sic-mcm 1008 Larkin, Lp	982-990 Post Street/1008 Larkin Street	
L172315	12/15/17	27	22	721 Geary I5, Llc	721 Geary Street	
L172317	12/15/17	114	51	Sic-mcm 825 Post Street, Lp	825 Post Street	
L172430	10/31/17	32	15	Pine Properties, Llc	1739 Pine Street	
L180044	01/08/18	31	26	Sf Multifamily I Llc	1801 California Street	



**Residential Rent Stabilization and Arbitration Board
City & County Of San Francisco**

**103 - Operating & Maintenance Petitions by Zip Code
5/15/2017 to 5/14/2018**

Petition Number	Filing Date	Number of Units		Landlord Name	Address	Total Petitions
		in Bldg	in Petition			
L180096	01/08/18	12	9	Sf Multifamily Llc	1740 Sacramento Street	
L180201	01/26/18	47	26	Nob Hill Associates	930 Sutter Street	
L180264	01/29/18	12	11	784-786 Geary I6, Lp	784-786 Geary Street	
L180272	02/01/18	40	21	Hyde Park Apartments, L.I.c.	360 Hyde Street	
L180276	02/05/18	41	21	Jones Street Apartments, Llc	424 Jones Street	
L180326	02/08/18	27	10	O'farrell Street Associates, Llc	851 O'farrell Street	
L180345	02/16/18	36	21	st. Francis Terrace, Llc	780 Post Street	
94110		117	83			8
L171185	06/26/17	2	1	Derek J. Gee	2412-2414 18th Street	
L172431	12/13/17	2	1	Zaher A. Mohamed	3092-3098 24th Street	
L180061	01/08/18	24	15	3201 23rd I7, Llc	3201 23rd Street	
L180072	01/08/18	12	7	1424 Valencia I6, Lp	1424 Valencia Street	
L180098	01/08/18	11	9	Sf Multifamily I Llc	625 Guerrero Street	
L180623	04/02/18	10	5	Align Design & Development, Inc.	3201-3207 Mission Street	
L180727	04/18/18	2	1	Lisette O. Irizarry	3159-3163 24th Street	
L180844	04/26/18	54	44	Anthony J. Martorana	3440 25th Street	
94112		12	9			1
L172261	12/11/17	12	9	The Felix Group, Llc	1200 17th Avenue	
94114		72	59			6
L171868	09/28/17	3	3	Thomas Bourret	206-210 Dorland Street	
L180046	01/08/18	6	6	477 Sanchez Street Llc	473-477 Sanchez Street	
L180048	01/08/18	8	8	Daryabi One Llc	2 Church Street	
L180138	01/19/18	34	28	642 Alvarado I7, Lp	642 Alvarado Street	
L180192	01/22/18	6	6	3744 16th Street	3744 16th Street	
L180638	04/02/18	15	8	101 Sanchez Associates Llc	781-797 14th Street	
94115		69	41			7
L171033	06/05/17	9	9	Charlene Lee	156 Terra Vista Avenue	
L171356	07/19/17	6	3	St. Francis Properties, Llc	2426 Buchanan Street	
L172088	10/27/17	6	4	Jabour Presidio Properties Llc	424-432 Presidio Avenue	
L172424	12/28/17	25	8	1015 Pierce Apartments Llc	1015 Pierce Street	
L180163	01/22/18	8	5	Sf Multifamily I Llc	201-207 Divisadero Street	
L180370	02/23/18	12	9	Thimothy Brown	2801 Pine Street	
L180606	03/26/18	3	3	Salman Shariat	945-947 Scott Street	
94115		12	12			1
L180639	04/02/18	12	12	800 Lyon I7, Lp	800-808 Lyon Street	
94117		89	67			10
L170999	05/26/17	6	5	326 Pierce Street Llc	326 Pierce Street	
L171223	07/06/17	4	4	Trisha L. Okubo	619-625 Webster Street	
L171440	07/28/17	5	4	H&o Properties	100 Scott Street	
L172017	10/17/17	7	6	H/s Partners Ii, Lp	585 Page Street	
L172265	12/11/17	10	9	Mc Lakeshore 1824 Llc	500-530 Haight Street	



**Residential Rent Stabilization and Arbitration Board
City & County Of San Francisco**

**103 - Operating & Maintenance Petitions by Zip Code
5/15/2017 to 5/14/2018**

Petition Number	Filing Date	Number of Units		Landlord Name	Address	Total Petitions
		in Bldg	in Petition			
L172378	12/27/17	15	10	430 Baker I5, Lic	430 Baker Street	
L180032	01/08/18	12	5	Daryabi One, Lic	1133 Fell Street	
L180054	01/08/18	8	8	Ben Ng, Trustee Of The Ben Ng	1220 Hayes Street	
L180161	01/22/18	9	8	Sf Multifamily I Llc	748 Page Street	
L180498	03/09/18	13	8	Dennis J. Breen	815 Pierce Street	
94118		78	58			8
L171875	09/29/17	3	1	Adam Scott Bristol	153-155 Wood Street	
L172025	10/20/17	2	1	John T. Brethauer	522-524 3rd Avenue	
L172139	11/15/17	2	1	Blossom Lee	3518-3520 California Street	
L172329	12/21/17	12	8	322-332 Stanyan I6, Lic	322-332 Stanyan Street	
L180069	01/08/18	16	11	Sf Multifamily I Llc	755-769 6th Avenue	
L180070	01/08/18	12	12	Sf Multifamily I Llc	4005 California Street	
L180199	01/26/18	25	20	99 Lupine I7, Lp	99 Lupine Avenue	
L180651	04/05/18	6	4	Devon P. Johnson	268 2nd Avenue	
94121		28	16			3
L172073	10/27/17	4	2	Anton B. Jaber Revocable Trust Dated	573 28th Avenue	
L180064	01/08/18	12	7	390 29th I6, Lp	390 29th Avenue	
L180285	02/07/18	12	7	433 34th Avenue Partners L.p.	433 34th Avenue	
4122		66	40			4
L171187	06/27/17	28	16	1300 26th Ave Partners, Lp	1300 26th Avenue	
L171760	09/07/17	6	5	The Church In San Francisco	1231-1233 19th Avenue	
L172322	12/19/17	4	3	Aaron B. Chong	1327 31st Avenue	
L180626	04/02/18	28	16	El Rancho Development Co. S2	1301-1361 La Playa Street	
94123		6	5			1
L180622	04/02/18	6	5	2323 Franklin Apartments Lic	2323 Franklin Street	
94131		9	6			2
L170997	05/26/17	6	5	Nine Sixty Nine Lic	969 Burnett Avenue	
L172071	10/26/17	3	1	Jack Chen	122-126 Bemis Street	
94133		80	64			8
L171613	08/15/17	3	3	Yasemin B. Kliiman	42-46 Wayne Place	
L172026	10/24/17	12	11	1 San Antonio I5, Lic	1 San Antonio Place	
L172027	10/24/17	6	4	55 Genoa I5, Lic	55 Genoa Place	
L172407	12/28/17	24	19	916 Pacific I5, Lic	916 Pacific Avenue	
L180167	01/22/18	14	12	20 Romolo I7, Lp	20 Romolo Place	
L180372	02/23/18	6	5	Greenwich Properties	819-825 Lombard Street	
L180592	03/23/18	9	6	1046 Pacific Avenue Lic	1046-1050 Pacific Avenue	
L180601	03/23/18	6	4	Sf Cabo, Lic	357-359 Vallejo Street	
94134		1	2			1
L171176	06/23/17	1	2	Lien L. Uy	448 Velasco Avenue	
		1,785	1,161			103

HOW AN OPERATING AND MAINTENANCE (O&M) RENT INCREASE IS CALCULATED

- Compare total O&M costs for 2 consecutive 12-month periods

- Categories of O&M costs currently include:

162

- | | | | |
|-------------------|--|---|---------------------|
| <i>labor cost</i> | <ul style="list-style-type: none"> ✓ *Garbage ✓ *Insurance ✓ *Debt Service ✓ *Repairs ✓ *Elevator Service | <ul style="list-style-type: none"> ✓ *Water/Sewer ✓ *Property Taxes ✓ *Management ✓ *Pest Control ✓ *Other Maintenance | <i>} Labor Cost</i> |
|-------------------|--|---|---------------------|

- | | <u>Example</u> |
|---|----------------|
| 1) Find the difference between Year 1 & Year 2 costs | = \$55,000 |
| 2) Divide by total number of units in the building (15) | = \$ 3,666 |
| 3) Divide by 12 months to get Monthly O&M Increase | = \$305.55 |
| 4) Deduct Annual Increase from Monthly O&M Increase | |
| [Tenant's Rent = \$1,800; Annual Increase (1.6%) = \$28.80] | = \$276.75 |
| 5) Tenant's O&M Increase cannot exceed 7% | = \$126.00 |

OPERATING AND MAINTENANCE PETITIONS 5 YEAR SUMMARY

Date Filed	Number of O&M Petitions	Number of Units Affected
5/15/13 – 5/14/14	44	350
5/15/14 – 5/14/15	46	529
5/15/15 – 5/14/16	67	858
5/15/16 – 5/14/17	79	817
5/15/17 – 5/14/18	103*	1161

* 35 O&M Petitions were filed in the 7 months between 5/15/17 – 12/10/17

* 33 O&M Petitions were filed in the 1 month between 12/11/17 – 1/10/18

5/18/18

BOARD OF SUPERVISORS
OPERATING & MAINTENANCE
HEARING

This is the perfect example of the abuse of a fair law originally intended to help small property owners. This is exactly why our some of our supervisors, led by Sandra Fewer, are working toward legislation to prevent this from happening in the future. This is the perfect example of a large investment company forcing the burden of their own financial decisions onto existing tenants, planned from the beginning.

It's in their pro forma to "optimize" returns for their investors. At the expense of every person, every family who happens to live in a building they decide to purchase. This is the new work-around to those pesky protections that have been put in place to allow people to keep their homes in the face of an insanely difficult housing climate. To "encourage" them to move on. For many already stretching it, 7% is an eviction notice if you don't qualify for hardship.

I won't go into the unwarranted late fees that need to be disputed every month or the near-threats of eviction. The challenges with repair requests. Or the quality of life issues, lack of communication, response, accountability, or actual maintenance beyond what's legally required.

They've done nothing other than take ownership of our building at market value, and pass that expected tax increase onto us while offering nothing in return and continually demanding more from us. This is their business model. I support small landlords. However, the mom & pops are disappearing every day, only to be replaced by anonymous corporate investors who seek only to maximize profits and who have learned to use this operating and maintenance loophole to do so.

GREG GURREN
750 PAGE #3

RISE GURREN
756 PAGE #3

LEAH OLSON + JASON HUSBY
756 PAGE #6

Pauline R Babcock
756 Page, Att. 7

Carroll, John (BOS)


From: Somera, Alisa (BOS)
Sent: Friday, May 18, 2018 12:14 PM
To: Carroll, John (BOS)
Subject: FW: Supervisor Fewer's Proposed O+M legislation

Categories: 180318

For 180318

Alisa Somera

Legislative Deputy Director
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
415.554.7711 direct | 415.554.5163 fax
alisa.somera@sfgov.org

 Click [HERE](#) to complete a Board of Supervisors Customer Service Satisfaction form.

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

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*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.*

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**From:** Board of Supervisors, (BOS)  
**Sent:** Friday, May 18, 2018 11:43 AM  
**To:** BOS-Supervisors <bos-supervisors@sfgov.org>; Somera, Alisa (BOS) <alisa.somera@sfgov.org>; Young, Victor <victor.young@sfgov.org>  
**Subject:** FW: Supervisor Fewer's Proposed O+M legislation

---

**From:** Bill Quan [<mailto:billquanqp@yahoo.com>]  
**Sent:** Friday, May 18, 2018 8:11 AM  
**To:** Board of Supervisors, (BOS) <[board.of.supervisors@sfgov.org](mailto:board.of.supervisors@sfgov.org)>  
**Subject:** Supervisor Fewer's Proposed O+M legislation

Dear Honorable Board of Supervisors:

I am writing to you to urge you to vote no on the subject proposed legislation. It would hurt small investors as many times in the early years of ownership the cash flow is negative.

Sincerely,

Bill Quan  
415-885-2225

2526 Van Ness Ave., #10  
S.F., CA. 94109

**Carroll, John (BOS)**

---


**From:** Somera, Alisa (BOS)  
**Sent:** Friday, May 18, 2018 12:15 PM  
**To:** Carroll, John (BOS)  
**Subject:** FW: Supervisor Fewer's Proposed O+M legislation; May 18th Rules Committee Meeting

**Categories:** 180318

For 180318

*Alisa Somera*

Legislative Deputy Director  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102  
415.554.7711 direct | 415.554.5163 fax  
[alisa.somera@sfgov.org](mailto:alisa.somera@sfgov.org)

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From: Board of Supervisors, (BOS)
Sent: Friday, May 18, 2018 11:43 AM
To: BOS-Supervisors <bos-supervisors@sfgov.org>; Somera, Alisa (BOS) <alisa.somera@sfgov.org>; Young, Victor <victor.young@sfgov.org>
Subject: FW: Supervisor Fewer's Proposed O+M legislation; May 18th Rules Committee Meeting

From: Bill Quan [<mailto:billquanqp@yahoo.com>]
Sent: Friday, May 18, 2018 8:44 AM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: Supervisor Fewer's Proposed O+M legislation; May 18th Rules Committee Meeting

Dear Clerk of the Board:

Please distribute this below email to all Supervisors immediately. Thanks.

Dear Honorable Board of Supervisors:

I am writing to you to urge you to vote no on the subject proposed legislation. Many times in the early years the cash flow is negative for property owners and the proposed legislation would make it very difficult for small investors.

Sincerely,

Bill Quan

Sent from Mail for Windows 10

TENDERLOIN HOUSING CLINIC

126 Hyde Street
San Francisco, CA 94102
Tel. (415) 771-9850
Fax. (415) 771-1287

RANDALL M. SHAW
STEPHEN L. COLLIER
RAQUEL FOX
STEPHEN P. BOOTH
MARGARET DEMATTEO
DAVID E. TCHACK

Contact:
Email: randy@thclinic.org
Phone: 771-9850 x 1117

May 8, 2018

Dear Board of Supervisors,

I am writing in support of Ordinance 180318 (Fewer) that would ban debt service and property tax from being passed on to tenants. SF tenants have been increasingly victimized by this glaring loophole in our rent ordinance, and it is well past time to close it.

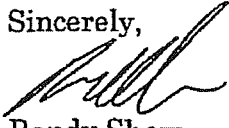
Currently, a landlord can petition the Rent Board for an Operating and Maintenance (O&M) passthrough to pass on additional costs and expenses to tenants when a new landlord's costs and expenses exceed the annual rent increase. This rent increase is a permanent 7% rent increase to the tenant's monthly base rent-a tremendous hardship for many tenants.

While this passthrough included a number of costs and expenses, debt service and property tax consistently rank as the largest expense items by far. Debt service refers to the payment on the loan taken out by an owner to buy a building. A large amount of debt service indicates that the owner has taken out a large loan to buy the building. This practice inflates the value of the building, the land and the amount of property tax as well.

As tenants continue to experience great consolidation and speculation in SF's rental market, more tenants are receiving this particular passthrough. In FY 2010-11, the Rent Board received 20 petitions. Between January 2017-March 20, 2018, the Rent Board received 118 petitions-a dramatic 490% increase. Among those 118 petitions, about 75% seem to belong to corporate, regional, and statewide investors and investment firms, as well as known "bad actors" in real estate.

We need to do what we can to make San Francisco more affordable. This legislation furthers that goal and deserves your support.

Sincerely,



Randy Shaw
Executive Director

Theo Finucane
270 Turk St., #304
San Francisco, CA 94102

04/02/2018

I am writing this in support of operation and maintenance reform, it is not right that landlords pass on the cost of their mortgage to tenants. I live in 270 Turk St., a building owned by Greentree Property Management. I have lived there for 7 years, since before Greentree took over ownership of the building. I have always paid my monthly rent on time.

So far this year, Greentree has increased the rent with passthroughs once already. And the water in the building has been shut off twice. For months, the ceiling in the lobby dripped with water (from at least 12/18/17 thru 2/02/18; I have photos), until the ceiling actually collapsed. The elevators have been out of commission numerous times. Now that they are proposing to increase the rent again with a passthrough, how many more times will the water be shut off?

I pay my rent with the expectation of receiving certain services in return, one of which is running water. If Greentree is negligent in providing this service, with the already heightened rent that I pay, surely it is unreasonable to raise my rent yet again? If Greentree is allowed to raise the rent with a passthrough in December (as they did) and in May (as they propose to do), what's to stop them from raising it every month? Without ever providing any basic services? What meaning, if any, will the concept of rent control have? What will become of tenants' rights and of basic human dignity?

Sincerely,

Theo Finucane
270 Turk St., #304
San Francisco, CA 94102

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 57 Taylor building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

- 46. S E P
- 47. ~~John~~
- 48. MICHAEL RICHARDSON
- 49. Edgar Tuz
- 50. Gabriel Mordex
- 51. Brenda Ellis
- 52. ~~Carl Perry~~
- 53. A. Kader
- 54. Rivera
- 55. Alya Leo
- 56. ~~John~~
- 57. Efron Puchota
- 58.
- 59.
- 60.



May 7, 2018

Dear Board of Supervisors,

The Central City SRO Collaborative's Land Use Committee is proud to submit this letter in support of Ordinance 180318 (Fewer) that would ban debt service and property tax from being passed on to tenants. SF tenants are increasingly seeing large speculative landlords take advantage of this glaring loophole in our rent ordinance, and it is past time to stop this speculator subsidy.

Tenderloin Housing Clinic works to prevent tenant displacement, to preserve and expand the City's low cost housing stock, and to provide comprehensive legal assistance to low income tenants. We believe that this legislation appropriately coincides with our organization's mission.

Currently under SF law a landlord can petition the Rent Board for an Operating and Maintenance (O&M) Passthrough to pass on additional costs and expenses to tenants when a new landlord's costs and expenses exceed the annual rent increase. This rent increase is a permanent 7% rent increase to the tenant's monthly base rent-a tremendous hardship for many tenants.

While this passthrough included a number of costs and expenses, debt service and property tax consistently rank as the largest expense items by far. Debt service refers to the payment on the loan taken out by an owner to buy a building. A large amount of debt service indicates that the owner has taken out a large loan to buy the building. This practice inflates the value of the building, the land and the amount of property tax as well.

As tenants continue to experience great consolidation and speculation in SF's rental market, more tenants are receiving this particular passthrough. In FY 2010-11, the Rent Board received 20 petitions. Between January 2017-March 20, 2018, the Rent Board received 118 petitions-a dramatic 490% increase. Among those 118 petitions, about 75% seem to belong to corporate, regional, and statewide investors and investment firms, as well as known "bad actors" in real estate.

This ordinance would reform this speculator subsidy by banning debt service and property tax from being passed on to tenants. It would also strengthen tenants' ability in Rent Board hearings to challenge unreasonable costs that seem inconsistent with the existing tenants' socioeconomic status.

Tenderloin Housing Clinic is proud to support this legislation, and eliminate a potential tool for landlords to inflate rent and price out tenants. We urge the full Board of Supervisors to stand behind it as well,

Sincerely,
 Central City SRO Collaborative Land Use Members

FOR ROSIE

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

1 Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is STEPHEN TERPIS As a San Francisco Resident, I am writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Other comments

I LIVE ON THE EDGE OF POVERTY AND
THEY ARE THROTTLED LIKE ME SO I
SUPPORT THIS ORDINANCE

I greatly appreciate your support in approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 275 Turk building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

1. PHOENIX TAX CAMON
2. A-U
3. David L Gunn
4. ~~Peter Ramirez~~
5. ~~SB~~
6. O O #302
7. Maria Gutierrez
8. Rolando
9. MESTER CUELLAR
10. ~~Jose~~
11. ~~Jose~~
12. MHERZ
13. ~~with~~
14. ALPEN CASOOSE
15. FRANKLIN ALVAREZ

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 245 Turk building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

- 16. M.H.
- 17.
- 18.
- 19.
- 20.
- 21.
- 22.
- 23.
- 24.
- 25.
- 26.
- 27.
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Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1 Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at _____ building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

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Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at _____ building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

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Board of Supervisors City and County of San Francisco:

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Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 270 TURK building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

1. Guadalupe Gomez
2. Marian L Rodriguez Languet
3. Nenquid Beatwienqpan
4. ~~AK~~
5. margarita Tur
6. JOSE UCAN
7. Moises Boli'o
8. Lucely Aké
9. Angie Tenorio
10. VICTOR G.M
11. Sunna
- 12.
- 13.
- 14.
- 15.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at _____ building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

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Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
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City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at _____ building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

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Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1 Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 57 Taylor building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name ~~_____~~ Safai

- 1.
2. ~~_____~~
3. Maria
4. ~~_____~~
5. ~~_____~~
6. Emufire
7. Glenda Blanchard
8. Ruth Hall
9. John Pabulic
10. ~~_____~~
11. ~~_____~~
12. James Hutchinson
13. ~~_____~~
14. Lorenzo
15. ~~_____~~

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at 577A/08 building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

Name

16. *MAYIS GARCIA*
17. *Ismael Perez*
18. *Norma Familia*
19. *RUBEN SILVA*
20. *José Luis Navarrete*
21. *Daniel POON*
22. *Arnelyn Fabia*
23. *Moises Ceballos E.*
24. *waled hdwan*
25. *Sandra Ascibar*
26. *Salim Abdallah*
27. *FRANCIS L. VIRAY JR*
28. *JOSE*
29. *JOHN DUSANY*
30. *[Signature]*

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

We tenants at _____ building are writing this letter in support of the Ordinance that will ban Debt Service and Property Tax from being passed on to tenants that resulted from a change in ownership.

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Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Ange Saunders and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

I believe that property taxes and any other misc taxes should be paid by the owner of said property and not passed on by increases in rents, leases etc to the tenant..

Ange Saunders
5/8/18

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Susie Melkonian and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

Susie Melkonian

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

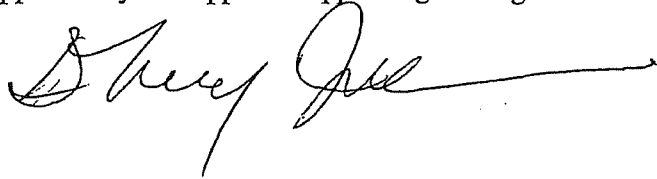
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Shirley Jackson and I am writing this letter in support of Ordinance 170318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

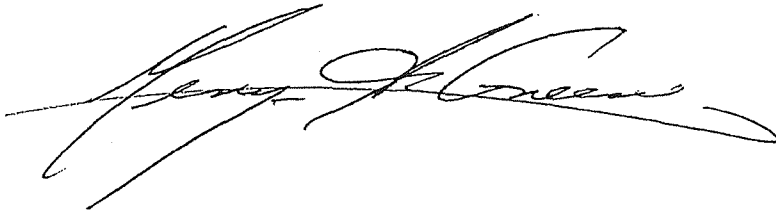
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is HERVY A. GREENE and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

A handwritten signature in black ink, appearing to read "Hervy A. Greene". The signature is fluid and cursive, with a long horizontal stroke at the end.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Gail Seagraves and I am writing this letter in support of Ordinance 180312 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

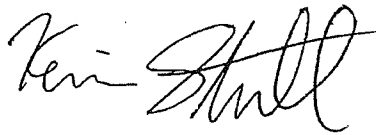
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Kevin Stull and I am writing this letter in support of
Ordinance 160318 that will ban debt Service and property tax from being passed on to
tenants.

I greatly appreciate your support to approving this legislation

Sincerely

A handwritten signature in black ink that reads "Kevin Stull". The signature is written in a cursive, slightly slanted style.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

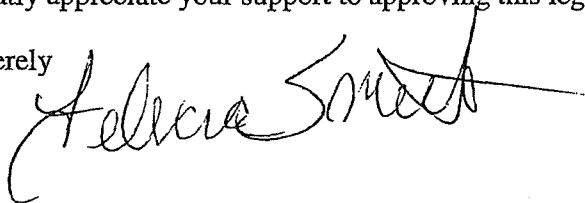
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Felicia Smith and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

A handwritten signature in black ink that reads "Felicia Smith". The signature is written in a cursive style with a long horizontal stroke at the end.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Hayward Dixon and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

Hayward Dixon

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

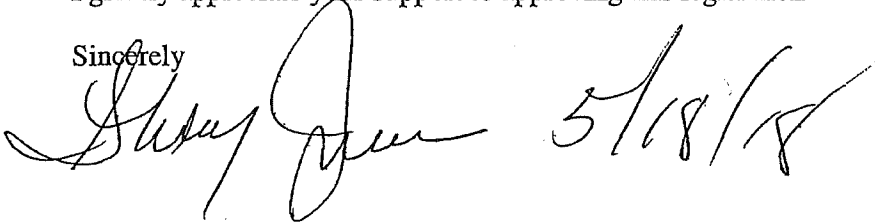
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Shirley Jackson and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

 5/18/18

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

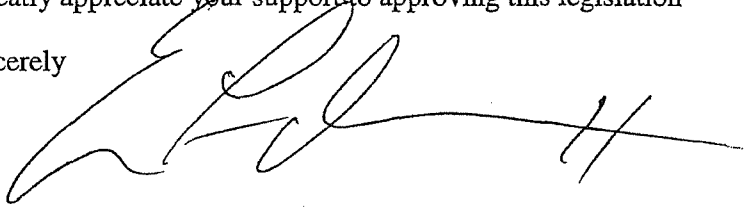
City Hall
1 Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is ERIC OPPERHAMMER and I am writing this letter in support of
Ordinance O+M 180318 that will ban debt Service and property tax from being passed on to
tenants.

I greatly appreciate your support to approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Brenda Washington and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

Brenda Washington

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

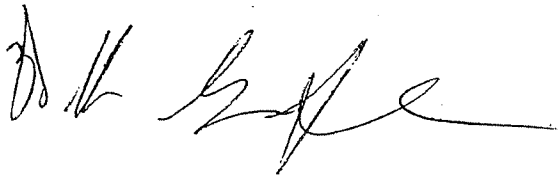
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Willis Be-A-He and I am writing this letter in support of
Ordinance OSM 180318 that will ban debt Service and property tax from being passed on to
tenants.

I greatly appreciate your support to approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is PETER RAUGH and I am writing this letter in support of
Ordinance 180318 that will ban debt Service and property tax from being passed on to
tenants.

I greatly appreciate your support to approving this legislation

Sincerely

A handwritten signature in black ink, appearing to read "Peter Raugh", with a long horizontal flourish extending to the right.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Don O'Connor and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

Don O'Connor

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Christina Becking and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely



Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Mitch Orsaba and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

Mitchell Orsaba
(registered voter)

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
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Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

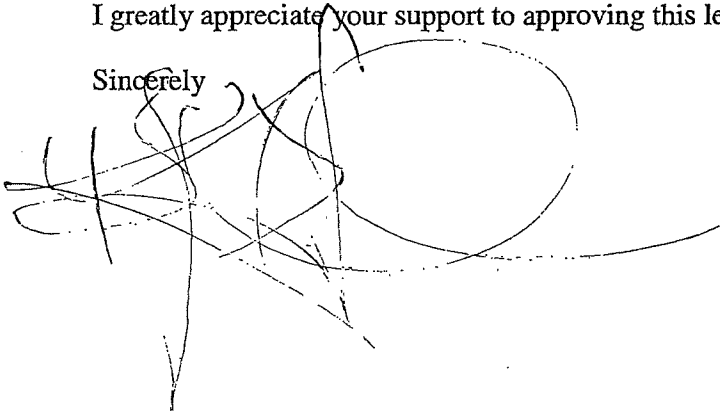
City Hall
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is KATHERINE VAUGHN and I am writing this letter in support of Ordinance 180318 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely

A large, stylized handwritten signature in black ink, appearing to read 'Katherine Vaughn', is written over the word 'Sincerely' and extends across the page.

Board of Supervisors City and County of San Francisco:

Sandra Lee Fewer, Catherine Stefani, Aaron Peskin,
Katy Tang, London Breed, Jane Kim, Norman Yee,
Jeff Sheehy, Hillary Ronen, Malia Cohen, Asha Safai

City Hall

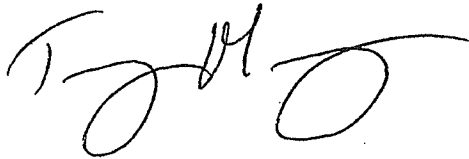
1Dr. Carlton B Goodlett Place,
San Francisco CA 94102

Dear Board of Supervisors,

My name is Tony Macay and I am writing this letter in support of Ordinance 1803176 that will ban debt Service and property tax from being passed on to tenants.

I greatly appreciate your support to approving this legislation

Sincerely



SF landlords' attempts to pass some charges on to tenants face opposition

By Dominic Fracassa

December 11, 2017 Updated: December 12, 2017 5:30am

Amina Rubio thought little of the notice she received in the mail in October 2016 informing her that the Powell Street apartment building where she's lived for nearly 20 years was under new management.

At the time, the name of her building's new owners, Veritas Investments and its subsidiary, Greentree Property Management — one of the largest landlords in San Francisco — didn't ring any bells, so it was a fact of life easily tucked away in the back of her mind.

But Rubio's indifference toward her new property manager was shattered when, in September, she received another notice, this one informing her that her rent, which had risen just \$113 — to \$543 — since 1998, would rise 31 percent to \$714, effective immediately. On her already modest Social Security income and tight household budget, the rent hike came as an overwhelming blow.

"I was in shock, just crying. I went into a three-day depression. It was devastating. I couldn't even function," Rubio said.

The steep rent increases stemmed from a number of new charges, including fees for operating and maintaining the building that Greentree was passing on to the building's rent-controlled tenants, who like Rubio, were paying far below market rates for their apartments on the south side of Nob Hill.

In San Francisco, like many other cities, when the various costs of running an apartment building outpace the annual allowable rent increases set by the city's Rent Board, landlords can request to pass on a portion of those expenses to their tenants.

But in recent years, a pattern involving these so-called pass-through expenses has emerged that's causing alarm among tenants-rights organizations. Landlords, particularly large property management companies, increasingly are passing on the costs of their debt service — payments on the loan taken out to buy the building — and property taxes to tenants.

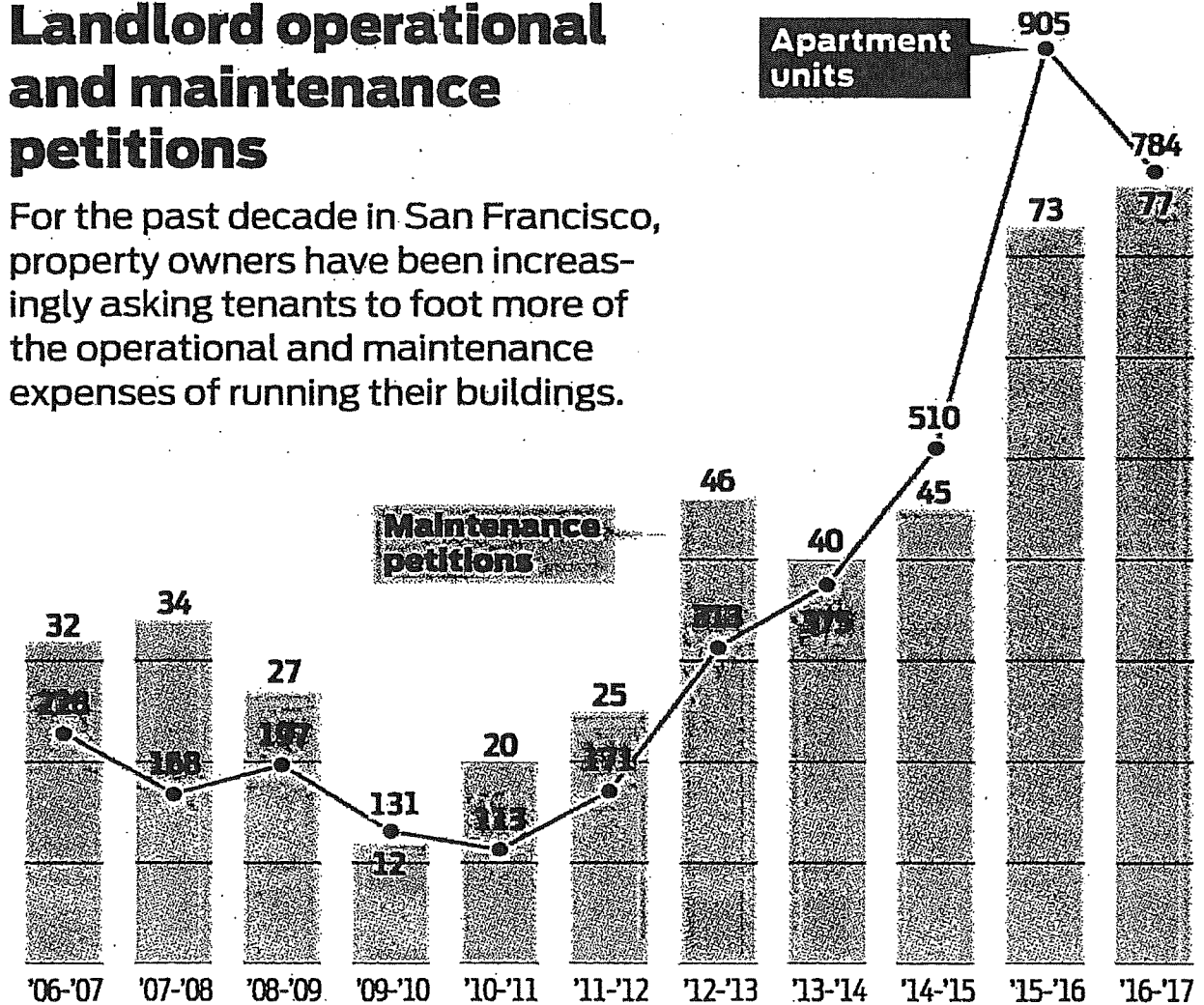
That could soon change. Tenants-rights groups, including the Housing Rights Committee of San Francisco, the Tenderloin Housing Clinic, the San Francisco Tenants Union and Legal Assistance to the Elderly, have secured a commitment from Supervisor Sandra Lee Fewer to sponsor legislation to eliminate debt-service and property tax pass-throughs.

"It's time for San Francisco to eliminate debt service as a justification for rent increases," Fewer said. "Large corporate landlords that are purchasing residential buildings don't need incentives to immediately burden their rent-controlled tenants with exorbitant rent increases. By closing this loophole, we will help keep our rent-controlled housing affordable and prevent greed-fueled displacement."

According to data from the city's Rent Board, the number of operational and maintenance pass-through petitions filed by landlords has jumped over the past five fiscal years. Between the 2006 and 2012 fiscal years, the number of petitions filed by landlords averaged 25 per year. From the 2012-13 fiscal year to the present, landlords have averaged 56 petitions per year. The number of units potentially affected by those petitions has risen sharply as well, from an average of 168 units to 577 over the same periods.

Landlord operational and maintenance petitions

For the past decade in San Francisco, property owners have been increasingly asking tenants to foot more of the operational and maintenance expenses of running their buildings.



Source: San Francisco Rent Board Annual Statistical Report John Blanchard / The Chronicle

Landlords may bundle together a variety of operational and maintenance costs when asking the Rent Board's permission to raise rents above the annual allowable amount for rent-controlled units, and the board's staff examines those expenses in the aggregate. Landlords have to show that the costs of operating the building jumped by more than the annual allowable amount for two consecutive 12-month periods. These pass-throughs can permanently

increase a tenant's base rent by up to 7 percent under San Francisco's rent ordinance.

But by far, said Robert Collins, the Rent Board's executive director, most petitions are being filed in order to have tenants help pay for their landlord's biggest expense: payments on the loan taken out to buy the building and for the property taxes levied on it.

"Those categories are the big ones," Collins said. Processing operational and maintenance pass-through requests from landlords "is a significant portion of our workload at this point," he said.

In Rubio's building, 21 out of 34 total units are subject to a range of fee increases, including the permanent debt service and property tax pass-throughs. Twelve of the remaining apartments are either not subject to rent control or are being used for sanctioned short-term rental programs. The last unit is occupied by a resident manager, according to Greentree.

San Francisco is the only major city in the Bay Area that allows landlords to pass through their debt obligations to tenants. The practice is prohibited in Berkeley, Oakland and San Jose, which did away with its debt-service pass-throughs last year.

Most operational and maintenance pass-throughs "are typically filed after a change of ownership, when a new owner has reassessed debt service and property taxes," Collins said. "Those also tend to be biggest costs for property owners."

Critics contend that the ease with which landlords — particular large property management companies — can make the case for such pass-throughs is akin to a baked-in charge levied against rent-controlled tenants.

"In this time of incredible pressure in the rental market, in my opinion, the process is being increasingly used to raise rents just to raise rents, not because it's really necessary to support the true cost of operating and maintaining the building," said Polly Marshall, a longtime pro-tenant Rent Board commissioner. The board is composed of pro-tenant, pro-landlord and neutral representatives who are appointed by the mayor.

Rubio said she feels like she is being forced to effectively help her landlord make its mortgage payments, "like I'm paying someone else's credit card bill."

Many landlords and their advocates agree that debt service and property tax pass-throughs are tools used mostly by larger property management companies. But throwing them out, they say, would disproportionately impact smaller, "mom-and-pop" owners who rely on the pass-throughs to keep themselves solvent.

"A lot of these landlords are barely making it on the income from their properties," said Calvin Abe, a pro-landlord Rent Board commissioner. "I would oppose doing away with any of those pass-throughs because they're essential for landlords in general, especially the smaller ones. They need it."

Charley Goss, government affairs manager for the San Francisco Apartment Association, which represents property owners, also said tenants facing financial hardship may apply for an exemption to a pass-through rent hike.

"You want to protect tenants who need protection with hardship petitions, but there has to be a give-and-take with the ability to recoup costs and investments in the property," Goss said.

When it comes to the Powell Street building where Rubio lives, Alex Clemens, a Veritas spokesman, pointed to a number of "major improvements" the company has made to the property since purchasing it, including a new roof,

renovated common areas, and ongoing upgrades to the building's electrical and gas systems.

“What little we recoup through the (operational and maintenance) pass-throughs is a small fraction of our costs of the major improvements we’ve made,” Clemens said in an email.

Rubio and her neighbors are still entitled to a hearing on the pass-throughs, as well as an appeal, but she’s not optimistic much will come of it. She took out a \$5,000 loan to cover rent and other expenses for the next few months but said she “knows that’s only going to stretch so far.”

“It’s difficult to understand how these charges can even be justified,” she said. “I feel like this is a moral issue.”

Dominic Fracassa is a San Francisco Chronicle staff writer.

Email: dfracassa@sfchronicle.com Twitter: [@dominicfracassa](https://twitter.com/dominicfracassa)

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: Robert Collins, Executive Director, Rent Board
Kate Hartley, Director, Mayor's Office of Housing and Community
Development

FROM: *AS* Alisa Somera, Legislative Deputy Director
AS Rules Committee

DATE: April 10, 2018

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee has received the following proposed legislation, introduced by Supervisor Fewer on April 3, 2018:

File No. 180318

Ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and property tax that have resulted from a change in ownership.

If you have 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 or by email at: alisa.somera@sfgov.org.

c: Eugene Flannery, Mayor's Office of Housing and Community Development
Amy Chan, Mayor's Office of Housing and Community Development

Somera, Alisa (BOS)

From: Board of Supervisors, (BOS)
Sent: Tuesday, May 22, 2018 10:50 AM
Subject: FW: O+M Pass through

From: Rita Agnese [mailto:theartistrita@gmail.com]
Sent: Tuesday, May 22, 2018 1:54 AM
To: Kim, Jane (BOS) <jane.kim@sfgov.org>; Tang, Katy (BOS) <katy.tang@sfgov.org>; Safai, Ahsha (BOS) <ahsha.safai@sfgov.org>; Yee, Norman (BOS) <norman.yee@sfgov.org>; Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; Cohen, Malia (BOS) <malia.cohen@sfgov.org>; Sanfra.Fewer@sfgov.org; Breed, London (BOS) <london.breed@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; CatherineStefani@sfgov.org; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; MayorMarkFarrell (MYR) <mayormarkfarrell@sfgov.org>
Subject: O+M Pass through

Hello,

I would like to see the proposal changed so that:

- The O+M legislation preserves a property owners' right to pass through increased property taxes which fund vital city infrastructure and services, but that it is reasonable to eliminate the ability for an owner to pass through debt service.
- Codify the right for a tenant to get a financial hardship retroactively—if they lose their job or fall on hard times years after an O&M Passthrough, has been approved a tenant should receive financial hardship.
- Codify that only one O&M petition is allowed during the lifespan of a tenancy.

**Thank you. Concerned Native San Franciscan
Rita Agnese**

RITA AGNESE

ARTisteEXTRAORDINAIRE

Please visit me on:

FACEBOOK INSTAGRAM YOUTUBE LINKEDIN

Somera, Alisa (BOS)

From: Board of Supervisors, (BOS)
Sent: Tuesday, May 22, 2018 10:50 AM
To: Somera, Alisa (BOS); Young, Victor
Subject: FW: O&M Legislation

From: Sharli Colladay [mailto:scolladay@gmail.com]

Sent: Saturday, May 19, 2018 2:09 PM

To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; Breed, London (BOS) <london.breed@sfgov.org>; Cohen, Malia (BOS) <malia.cohen@sfgov.org>; Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; Fewer, Sandra (BOS) <sandra.fewer@sfgov.org>; Kim, Jane (BOS) <jane.kim@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; Ronen, Hillary <hillary.ronen@sfgov.org>; Safai, Ahsha (BOS) <ahsha.safai@sfgov.org>; Sheehy, Jeff (BOS) <jeff.sheehy@sfgov.org>; Tang, Katy (BOS) <katy.tang@sfgov.org>; Yee, Norman (BOS) <norman.yee@sfgov.org>

Subject: O&M Legislation

I live and vote in San Francisco and I'd like to see the proposal changed so that:

- The O+M legislation preserves a property owners' right to pass through increased property taxes which fund vital city infrastructure and services, but that it is reasonable to eliminate the ability for an owner to pass through debt service.
- Codify the right for a tenant to get a financial hardship retroactively—if they lose their job or fall on hard times years after an O&M Passthrough, has been approved a tenant should receive financial hardship.
- Codify that only one O&M petition is allowed during the lifespan of a tenancy.

Sharli Colladay
San Francisco, CA
District 6

Member, Board of Supervisors
District 11



City and County of San Francisco

AHSHA SAFAI

DATE: May 17, 2018

TO: Angela Calvillo
Clerk of the Board of Supervisors

FROM: Supervisor Ahsha Safai
Chairperson, Rules Committee

RE: Rules Committee
COMMITTEE REPORT

Pursuant to Board Rule 4.20, as Chair of the Rules Committee, I have deemed the following matter is of an urgent nature and request it be considered by the full Board on May 22, 2018, as a Committee Report:

180318 Administrative Code - Landlord Operating and Maintenance Expenses

Ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and property tax that have resulted from a change in ownership; and to prohibit landlords from seeking rent increases due to increased management expenses unless the expenses are reasonable and necessary.

This matter will be heard at the Rules Committee Special Meeting on Friday, May 18, 2018, at 10:30 a.m.

A handwritten signature in black ink, appearing to read "Ahsha Safai".

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2011 Time stamp
or meeting date 11:34:45

BY AK

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 [redacted] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [redacted] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. [redacted] 180318
- 9. Reactivate File No. [redacted]
- 10. Question(s) submitted for Mayoral Appearance before the BOS on [redacted]

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 the Imperative Form.

Sponsor(s):

Fewer, Peskin, Yee, Ronen, Kim, Sheehy

Subject:

Ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and property tax that have resulted from a change in ownership; and to prohibit landlords from seeking rent increases due to increased management expenses unless the expenses are reasonable and necessary.

The text is listed:

see attached

Signature of Sponsoring Supervisor:

Fandra Lee Yee

For Clerk's Use Only