

File No. 240174

Committee Item No. 2

Board Item No. 16

# COMMITTEE/BOARD OF SUPERVISORS

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Committee: Rules Committee

Date April 15, 2024

Board of Supervisors Meeting

Date April 30, 2024

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- Youth Commission Report
- Introduction Form
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### OTHER (Use back side if additional space is needed)

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Completed by: Victor Young Date April 11, 2024

Completed by: \_\_\_\_\_ Date \_\_\_\_\_

1 [Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs]

2

3 **Ordinance amending the Administrative Code to provide that the general obligation**  
4 **bond passthrough from landlords to tenants shall be calculated based on the amount**  
5 **the property tax rate has increased due to general obligation bonds since the tenant’s**  
6 **move-in date or 2005, whichever is later; and to allow tenants to seek relief from**  
7 **general obligation bond passthroughs based on financial hardship.**

8

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

13

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

15

16 Section 1. Purpose and Findings.

17 (a) City law allows landlords to pass through to residential tenants a portion of any  
18 property tax increases that result from the issuance of certain types of general obligation  
19 bonds. The purpose of this law has been to reflect a compromise that landlords and tenants  
20 should equally share the burden of any property tax increases that result from the issuance of  
21 these bonds. And so, except in cases involving certain older general obligation bonds, the  
22 general rule is that landlords may pass through to tenants up to 50% of the change in property  
23 taxes that landlords may pay as a result of the bonds.

24 (b) Since approximately 2006, the City has followed a general obligation bond debt  
25 management policy that seeks to prevent City general obligation bonds from resulting in an

1 increase to the property tax rate from the prior year. By and large this policy has achieved  
2 that aim, and yet, the City has been authorizing passthroughs based on the costs of individual  
3 bonds in isolation and without regard to the policy and whether those bond issuances actually  
4 resulted in any property tax increase. If landlords and tenants are to share the burden of  
5 property tax increases that result from general obligation bond debt, so too should they  
6 equally benefit from the City's debt management policies.

7 (c) A further issue is that because landlords have the right to set the initial rent at the  
8 start of a new tenancy, landlords already have the opportunity when they set the rent to cover  
9 their existing property tax costs. If these costs are priced into the starting rent, then allowing a  
10 passthrough of these costs creates a potential for double recovery, and moreover the City's  
11 debt management policy has helped keep the property tax rate relatively stable despite  
12 subsequent bonds. As a result, it is fair and consistent with the purpose of the passthrough  
13 for the passthrough to only cover property tax increases that arose after the tenant's move-in  
14 due to general obligation bonds, which are not already included in the rent. In the case of  
15 tenants who moved in before the City adopted its debt management policy, it is appropriate to  
16 measure the change in property tax rate relative to the property tax rate in 2005.

17 (d) The City's failure to account for these factors has led to a growing and unintended  
18 disparity. As noted above, the intent of the general obligation bond passthrough was to allow  
19 landlords to pass through up to 50% of any increases in the property tax rate that resulted  
20 from the bonds. But since 2005-2006, the portion of the property tax rate that corresponds to  
21 these bonds has risen about 18%, compared to a 216% increase in the tenant passthrough  
22 rate. And the passthrough rates consider bonds whose costs may already have been priced  
23 into a tenant's starting rent, in any event.

24 (e) For the foregoing reasons, the Board of Supervisors finds it is necessary and in  
25 the public interest to update the Rent Ordinance to ensure it reflects the reality of the City's

1 debt management policy and the true intent of the general obligation bond passthrough. To  
2 ensure fairness, the Board finds that this update should occur prospectively as of July 1,  
3 2024, without affecting or impairing the validity of any passthroughs imposed prior to that  
4 date.

5

6 Section 2. Article VII of Chapter 2 of the Administrative Code is hereby amended by  
7 revising Section 2.40, to read as follows:

8 **SEC. 2.40. INCLUSION OF LANDLORD PASSTHROUGH LANGUAGE.**

9 Any proposal for bonded indebtedness submitted pursuant to this Article VII shall  
10 include, as a provision of the ordinance submitting such proposal to the voters, language  
11 incorporating and authorizing the ~~50 percent~~ passthrough of the change in a landlord's property  
12 tax resulting from the repayment of such indebtedness as provided in Administrative Code  
13 Section 37.3(a)(6).

14 \* \* \* \*

15

16 Section 3. Article V of the Municipal Elections Code is hereby amended by revising  
17 Section 520, to read as follows:

18 **SEC. 520. CONTROLLER'S FINANCIAL ANALYSIS.**

19 (a) The Controller shall prepare an impartial financial analysis of each measure  
20 submitted to the voters. The Controller's financial analysis shall include the amount of any  
21 increase or decrease in the cost of City and County government. The Controller's financial  
22 analysis shall also include the effect of the measure upon the tax rate.

23 For any general obligation bond measure placed on the ballot, the Controller's  
24 financial analysis shall include an explanation of the City's legal debt limit, as well as the  
25 impact of the proposed bond measure on that limit. The Controller's financial analysis for a

1 general obligation bond measure placed on the ballot, including general obligation bond  
2 measures submitted by the San Francisco Unified School District or San Francisco  
3 Community College District, also shall include an explanation of the ~~50 percent~~ passthrough of  
4 the change in a landlord's property tax resulting from the repayment of such indebtedness  
5 provided in Administrative Code Section 37.3(a)(6), and an explanation estimate of the impact of  
6 that passthrough ~~as it relates to~~under the proposed bond measure.

7 \* \* \* \*

8  
9 Section 4. Chapter 37 of the Administrative Code is hereby amended by revising  
10 Sections 37.2. and 37.3, to read as follows:

11 **SEC. 37.2. DEFINITIONS.**

12 \* \* \* \*

13 (q) **Rent Increases.** Any additional monies demanded or paid for rent as defined in  
14 item (p) above, or any reduction in housing services without a corresponding reduction in the  
15 monies demanded or paid for rent; provided, however, that passthroughs of the following cost  
16 increases pursuant to this Chapter 37 do not constitute rent increases: (1) where the landlord has  
17 been paying the tenant's utilities and the cost of those utilities increases, ~~the landlord's passing~~  
18 ~~through to the tenant of such increased costs pursuant to this Chapter does not constitute a rent~~  
19 ~~increase;~~ (2) where the landlord is passing through to the tenant the ~~there has been a~~ change in the  
20 landlord's property tax attributable to a general obligation bond ~~approved by the voters between~~  
21 ~~November 1, 1996 and November 30, 1998, or after November 14, 2002, the landlord's passing through~~  
22 ~~to the tenant of such increased costs~~ in accordance with ~~this Chapter (see as~~ Section 37.3(a)(6)  
23 ~~does not constitute a rent increase;~~ (3) ~~where there has been a change in the landlord's property tax~~  
24 ~~attributable to a San Francisco Unified School District or San Francisco Community College District~~  
25 ~~general obligation bond approved by the voters after November 1, 2006, the landlord's passing through~~

1 ~~to the tenant of such increased costs in accordance with this Chapter (see Section 37.3(a)(6)) does not~~  
2 ~~constitute a rent increase; and, (4); and (3) where the landlord is passing through to the tenant where~~  
3 ~~water bill charges are attributable to~~ water rate increases resulting from issuance of water  
4 revenue bonds authorized at the November 5, 2002 election, ~~the landlord's passing through to~~  
5 ~~the tenant of such increased costs in accordance with this Chapter (see Section 37.3(a)(5)(B)) does~~  
6 ~~not constitute a rent increase.~~

7 \* \* \* \*

8  
9 **SEC. 37.3. RENT LIMITATIONS.**

10 (a) **Rent Increase Limitations for Tenants in Occupancy.** Landlords may impose  
11 rent increases upon tenants in occupancy only as provided below and as provided by  
12 subsections 37.3(d) and 37.3(g):

13 \* \* \* \*

14 (6) **Property Tax.**

15 \_\_\_\_\_ (A) Effective July 1, 2024, a landlord may impose increases based upon a  
16 100% passthrough of the change in the landlord's property tax resulting from the repayment of  
17 general obligation bonds of the City and County of San Francisco approved by the voters  
18 between November 1, 1996, and November 30, 1998; a 50% passthrough of the change in the  
19 landlord's property tax resulting from the repayment of general obligation bonds of the City and  
20 County of San Francisco approved by the voters after November 14, 2002; and ~~as provided in Section~~  
21 37.2(q).

22 \_\_\_\_\_ A landlord may impose increases based upon a 50% passthrough of the change in the  
23 landlord's property tax resulting from the repayment of San Francisco Unified School District  
24 or San Francisco Community College District general obligation bonds approved by the voters  
25 after November 1, 2006. General obligation bonds that meet the criteria set forth in the previous

1 sentence are referred to herein as “Eligible Bonds;” provided, however, that a general obligation bond  
2 approved after December 20, 2000 may qualify as an Eligible Bond only if the passthrough was  
3 disclosed and approved by the voters. The City and County of San Francisco, San Francisco Unified  
4 School District, and San Francisco Community College District are referred to collectively as “the  
5 Issuing Entities.”

6 To pass through the change in property tax resulting from the repayment of Eligible Bonds, the  
7 landlord shall calculate said change relative to the amount that the property tax rate increased due to  
8 the repayment of Eligible Bonds since each tenancy commenced, or 2005, whichever is later (“the Base  
9 Year”), as set forth in subsection (a)(6)(B). ~~The amount of such increases shall be determined for each~~  
10 tax year as follows:

11 (B)(A) The Controller ~~and the Board of Supervisors~~ will first determine the  
12 percentage of the property tax rate, if any, ~~in each tax year~~ attributable to ~~the~~ general obligation  
13 bonds ~~of any of the Issuing Entities (“the General Obligation Bond Factor”) for each~~ ~~and repayable~~  
14 ~~within such~~ tax year. The passthrough rate for an individual tenant (the “Tenant Passthrough Rate”)  
15 shall be based on the amount that the General Obligation Bond Factor for the current year has  
16 increased since the tenant’s Base Year; and the degree to which said increase, if any, is attributable to  
17 Eligible Bonds, as measured by the ratio of debt service for the Eligible Bonds compared to the total  
18 debt service attributable to general obligation bonds of the Issuing Entities. The resulting figure shall  
19 then be discounted to reflect the specific percentage passthroughs for each of the Eligible Bonds as  
20 specified in subsection (A). The Controller shall prepare and annually update a form to help landlords  
21 and tenants calculate the Tenant Passthrough Rates. The Controller’s authority to interpret and  
22 administer this calculation shall be liberally construed to further the purposes of this subsection (a)(6).

23 (C)(B) ~~To calculate the amount of increased property tax that the landlord~~  
24 ~~can pass through to a tenant in any given year, the landlord shall divide ~~This percentage shall be~~~~  
25 ~~multiplied by~~ the total amount of the net taxable value as of November 1 of the applicable tax

1 year by the total number of all units in the property, including commercial units; and shall multiply the  
2 resulting figure by the applicable Tenant Passthrough Rate. The result is the dollar amount of  
3 increased property taxes for that tax year for a particular property attributable to the repayment  
4 of ~~the general obligation bonds~~ Eligible Bonds that the landlord may pass through to the tenant.

5 ~~(D)(C)~~ The dollar amount calculated under subsection (a)(6)~~(C)(B)~~ shall  
6 ~~be divided by the total number of all units in each property, including commercial units. That figure~~  
7 ~~shall also be discounted to reflect the percentage passthrough that the voters authorized, as applicable:~~  
8 ~~specifically, in the case of the 50% passthroughs authorized for general obligation bonds of the City~~  
9 ~~and County of San Francisco approved by the voters after November 14, 2002 and general obligation~~  
10 ~~bonds of the San Francisco Unified School District or San Francisco Community College District~~  
11 ~~approved by the voters after November 1, 2006, the figure shall be divided by two. The figure~~ shall  
12 then be divided by the total number of months that the passthrough may apply pursuant to  
13 subsection (a)(6)~~(E)(D)~~(i), to determine the monthly per unit costs for that tax year of the  
14 repayment of general obligation bonds.

15 ~~(E)(D)~~ Landlords may pass through to each unit in a particular property  
16 the dollar amount calculated under subsections (a)(6)(A)~~(D)~~, ~~(B)~~, and ~~(C)~~, as provided in this  
17 subsection (a)(6)~~(E)(D)~~.

18 (i) ~~If a passthrough is imposed on or before December 31, 2020, it shall~~  
19 ~~apply only for the 12-month period after it is imposed. Starting January 1, 2021, a~~All passthroughs  
20 shall apply for the same number of months covered by the property tax bills used in the  
21 passthrough calculation, and the calculation may not be based on tax bills issued more than  
22 three years prior to the year in which the passthrough was imposed.

23 (ii) The landlord shall give affected tenants notice of the  
24 passthrough as provided by applicable notice of rent increase provisions of this Chapter 37,  
25 including but not limited to Section 37.3(b)(3). The passthroughs may be imposed at any time



1 in the calendar year, provided that the landlord serves notice of such passthrough to be  
2 effective on the anniversary date of each tenant's occupancy of the property. The  
3 passthroughs shall not become a part of a tenant's base rent. The amount of each  
4 passthrough imposed pursuant to this subsection (a)(6) may vary from year-to-year,  
5 depending on the amount calculated by the Controller~~under subsections (a)(6)(A), (B), and (C)~~. A  
6 landlord may impose the passthroughs described in this subsection (a)(6) for a particular tax  
7 year only with respect to those tenants who were residents of a particular property on  
8 November 1 of the applicable tax year. A landlord shall not impose a passthrough pursuant to  
9 this subsection (a)(6) if the landlord has filed for or received Board approval for a rent  
10 increase under Section 37.8(e)(4) for increased operating and maintenance expenses in  
11 which the same increase in property taxes due to the repayment of general obligation bonds  
12 was included in the comparison year cost totals.

13 ~~(F)(E)~~ A tenant who has received a passthrough under this subsection  
14 (a)(6) may file a financial hardship application with the Board, and the Board may grant the  
15 tenant complete or partial relief from ~~that part of the passthrough that is attributable to general~~  
16 ~~obligation bonds approved by the voters on or after November 5, 2019~~. The standards and  
17 procedures for the financial hardship application shall be as set forth in Sections 37.7(h)-(i).

18 ~~(G)(F)~~ The Board will have available a form which explains how to  
19 calculate the passthrough. Landlords must provide to tenants, on or before the date that  
20 notice is served on the tenant of a passthrough permitted under this subsection (a)(6), a copy  
21 of the completed form. Landlords shall provide their tenants the ~~This~~ completed forms ~~shall be~~  
22 ~~provided~~ in addition to the Notice of Rent Increase required under Section 37.3(b), ~~and shall~~  
23 ~~file copies of the completed forms with the Board~~. Where a tenant alleges that a landlord has  
24 imposed a charge which exceeds the limitations set forth in this subsection (a)(6), the tenant  
25 may petition for a hearing under the procedures provided by Section 37.8. In such a hearing,

1 the landlord shall have the burden of proving the accuracy of the calculation that is the basis  
2 for the increase. Any tenant petitions challenging such a passthrough must be filed within one  
3 year of the effective date of the passthrough.

4 ~~(H)(G)~~ The Board and the Controller may amend their rules and  
5 regulations as necessary to implement this subsection (a)(6).

6 \* \* \* \*

7  
8 Section 5. Effective and Operative Dates.

9 (a) This ordinance shall become effective 30 days after enactment. Enactment occurs  
10 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
11 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
12 Mayor’s veto of the ordinance.

13 (b) This ordinance shall become operative on its effective date or on July 1, 2024,  
14 whichever is later.

15  
16 Section 6. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
17 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
18 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
19 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
20 additions, and Board amendment deletions in accordance with the “Note” that appears under  
21 the official title of the ordinance.

22  
23 Section 7. Severability. If any section, subsection, sentence, clause, phrase, or word of  
24 this ordinance, or any application thereof to any person or circumstance, is held to be invalid  
25 or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not



**REVISED LEGISLATIVE DIGEST**

(4/23/2024, Amended in Board)

[Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs]

**Ordinance amending the Administrative Code to provide that the general obligation bond passthrough from landlords to tenants shall be calculated based on the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date or 2005, whichever is later; and to allow tenants to seek relief from general obligation bond passthroughs based on financial hardship.**

Existing Law

The Rent Ordinance limits rent increases on residential tenants, but allows landlords to “pass through” to their tenants a portion of the change in the property taxes that is the result of the repayment of certain categories of general obligation bonds (“Eligible Bonds”). Specifically, landlords can pass through 100% of the change in property tax resulting from bonds issued by the City between 1996-98; 50% of the change resulting from bonds issued by the City after 2002; and 50% of the change resulting from bonds issued by the San Francisco Unified School District or the San Francisco Community College District after 2006. The Controller calculates a Citywide passthrough rate each year, based on the amount of the property tax rate in that year that is attributable to Eligible Bonds. Landlords can use the passthrough rate to determine the amount of property tax costs they can pass through to their tenants.

A tenant who has received a passthrough may file a financial hardship application with the Rent Board as to that part of the passthrough that is attributable to Eligible Bonds approved on or after November 5, 2019.

Amendments to Current Law

The ordinance would modify how the Controller calculates the tenant passthrough rates. Rather than use a standard passthrough rate for all tenants based on the aggregate cost of the Eligible Bonds under repayment, landlords would identify a specific passthrough rate for each tenant. Each tenant's passthrough rate would be based on a comparison of how much the portion of the property tax rate that pays for general obligation bonds of the three bond-issuing entities (the “General Obligation Bond Factor”) had increased between the current year, and the year that tenant moved into the unit or 2005, whichever is later (“the Base Year”). If the current year's General Obligation Bond Factor was not higher than it was in the tenant's Base Year, then there would be no increase to pass through to that tenant. But if the General Obligation Bond Factor had increased since the tenant's Base Year, the landlord could pass through to that tenant the portion of the increase that was attributable to Eligible Bonds, in the specific percentages authorized for each of the different categories of Eligible Bonds. The Controller would prepare and annually update a form to help landlords and

tenants calculate the tenant passthrough rates. These changes would take effect on July 1, 2024, and would not affect prior years' passthroughs.

Also, the ordinance would allow tenants to seek relief based on financial hardship as to passthroughs associated with all Eligible Bonds, not just Eligible Bonds issued on or after November 5, 2019.

### Background

On April 15, 2024, the ordinance was amended in committee to clarify that passthroughs are intended to be pursuant to Chapter 37. On April 23, 2024, the ordinance was amended to eliminate a proposed reporting requirement.

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# Tenant Passthrough Rate Calculations Overview



Office of the Controller  
Jamie Whitaker | Property Tax Manager  
Budget and Analysis Division

April 15, 2024

# Tenant Passthrough Rate Calculation Inputs

- Annual tenant passthrough rate is calculated by the Controller and set via a resolution along with the annual secured property tax rate factors.
- General obligation (G.O.) bond debt service and the City's total secured property assessed value help determine both the secured property tax rate factors and the tenant passthrough rate.
- Tenant passthrough rate reflects a subset of eligible portions of total G.O. bond debt service defined in Administrative Code, Chapter 37 as follows:
  - Debt service of City and County of San Francisco (**City**) G.O. bonds authorized by voters at elections held:
    - **Between November 1, 1996 and November 30, 1998** (100% passthrough)
    - **After November 14, 2002** (50% passthrough)
  - Debt service of San Francisco Unified School District (**SFUSD**) G.O. bonds authorized by voters at elections held **after November 1, 2006** (50% passthrough)
  - Debt service of San Francisco Community College District (**SFCCD**) G.O. bonds authorized by voters at elections held **after November 1, 2006** (50% passthrough)

# FY 2023-24 Tenant Passthrough Rate Calculation

**1.17769382%** FY 2023-24 secured property tax rate set in Resolution 457-23

FY 2023-24 for City, SFUSD, and SFCCD (BART sets their G.O. bond tax rate factor independently):

- **A** \$536,272,662 G.O. bond debt service required from secured property taxes
- **B** \$326,410,724,623 July 1, 2023 Secured Assessed Value (AV) net of exemptions
- **A ÷ B** or **0.16429382%** Secured property tax rate factor

**0.0726%** FY 2023-24 tenant passthrough rate set in Resolution 457-23

- **C** \$237,111,858 Tenant passthrough eligible G.O. bond debt service from bond issues related to voter authorizations at election date ranges in Administrative Code, Chapter 37
- **D** \$326,410,724,623 July 1, 2023 Secured Assessed Value (AV) net of exemptions
- **C ÷ D** or **0.0726% or 7.26 cents per \$100 AV** tenant passthrough rate



# Proposed Tenant Passthrough Rate Calculation

A

Various tenant passthrough rates based first upon the increase (A, if any) in sum of the property tax rate factors for City, SFUSD, and SFCCD G.O. bond debt service in current tax year from those in effect in the tax year when the tenant’s tenancy commenced, or 2005, whichever is later.

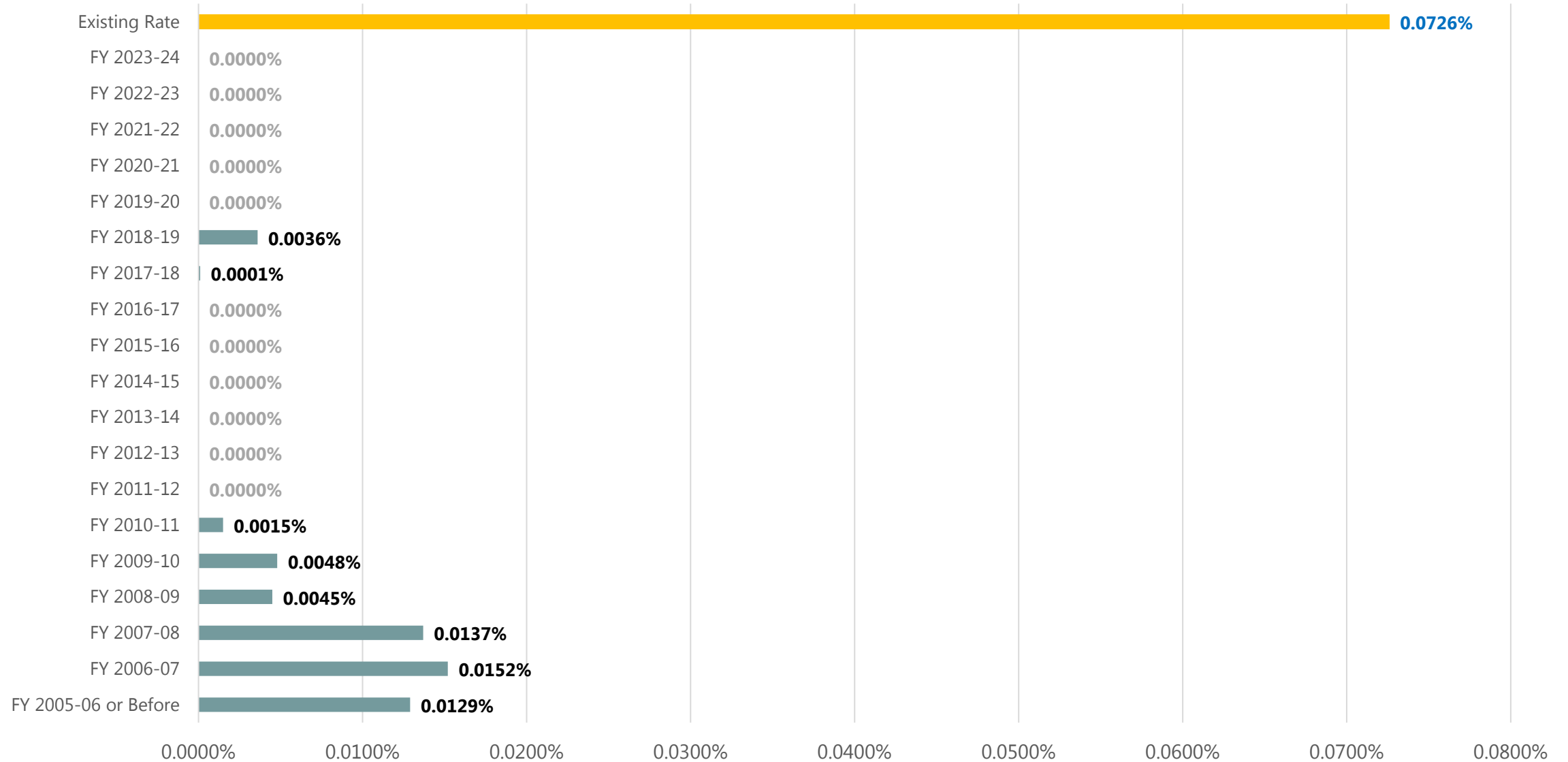
B

If there is an increase in the sum of the property tax rate factors, the difference is then multiplied by a ratio of debt eligible for passthrough to the total debt service of City, SFUSD, and SFCCD G.O. bonds in the current tax year (B).

## Example FY 2023-24 passthrough rates based upon proposed ordinance

| Tenancy Start Date | FY 2023-24 Eligible Entities Rate | Tenancy Start Date’s Equivalent Rate | Increase (A) | Ratio for FY 2023-24 (B) | Tenant Passthrough Rate (A x B) |
|--------------------|-----------------------------------|--------------------------------------|--------------|--------------------------|---------------------------------|
| 6/30/2006          | 0.16429382%                       | 0.13520000%                          | 0.02909382%  | 44.56%                   | 0.0129%                         |
| 5/5/2011           | 0.16429382%                       | 0.16090000%                          | 0.00339382%  | 44.56%                   | 0.0015%                         |
| 3/13/2020          | 0.16429382%                       | 0.16808940%                          | N/A          | 44.56%                   | N/A                             |

# Example FY 2023-24 Tenant Passthrough Rates vs. Existing



# Rent Board Tenant Financial Hardship

Board of Supervisors Rules Committee – File No. 240174

April 15, 2024

## Passthroughs From Which Tenants May Seek Deferral

- Capital Improvement Passthrough
- Operating & Maintenance Expense Increase
- Water Revenue Bond Passthrough
- Utility Passthrough
- General Obligation Bond Passthrough

# Ground 1 – Public Assistance

- Means Tested Public Assistance Includes
  - SSI
  - CalFresh/SNAP/Food Stamps
  - GA
  - CalWORKs
  - PAES
- Does Not Include
  - Social Security Retirement
  - SSDI
  - Medi-Cal

## Ground 2 – Income

- Monthly Rent Greater Than 33% of Monthly Household Income
- Assets Do Not Exceed \$60,000
- Monthly Gross Household Income Less Than Limit
  - 1 person - \$6,725
  - 4 people - \$9,608

## Ground 3 – Exceptional Circumstances

- Tenant has exceptional circumstances (such as excessive medical bills), that makes payment of the increase a hardship

# Relief From General Obligation Bond Passthroughs

107 Applications Filed

56 Granted

Means-Tested Public Assistance = 39

Income = 18

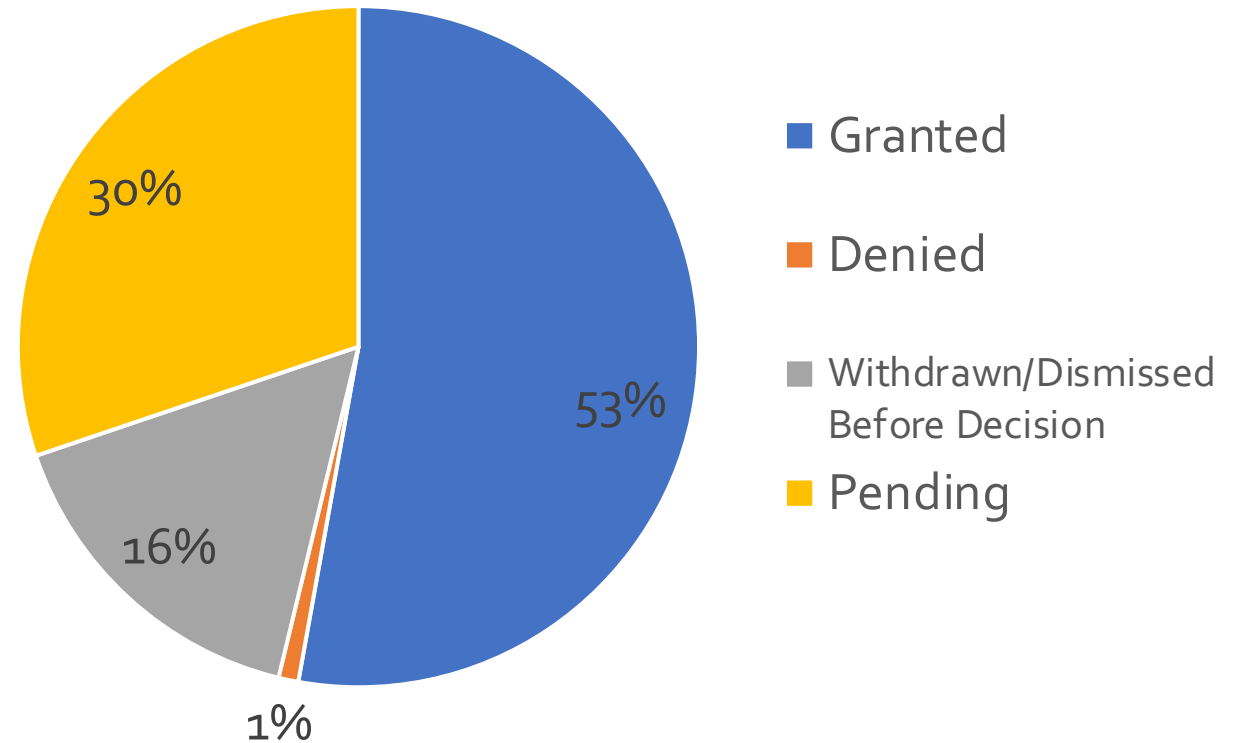
Exceptional Circumstances = 0

1 Denied

17 Withdrawn/Dismissed

32 Pending

## Total GO Bond Hardship Applications Filed





# Relief From General Obligation Bond Passthroughs

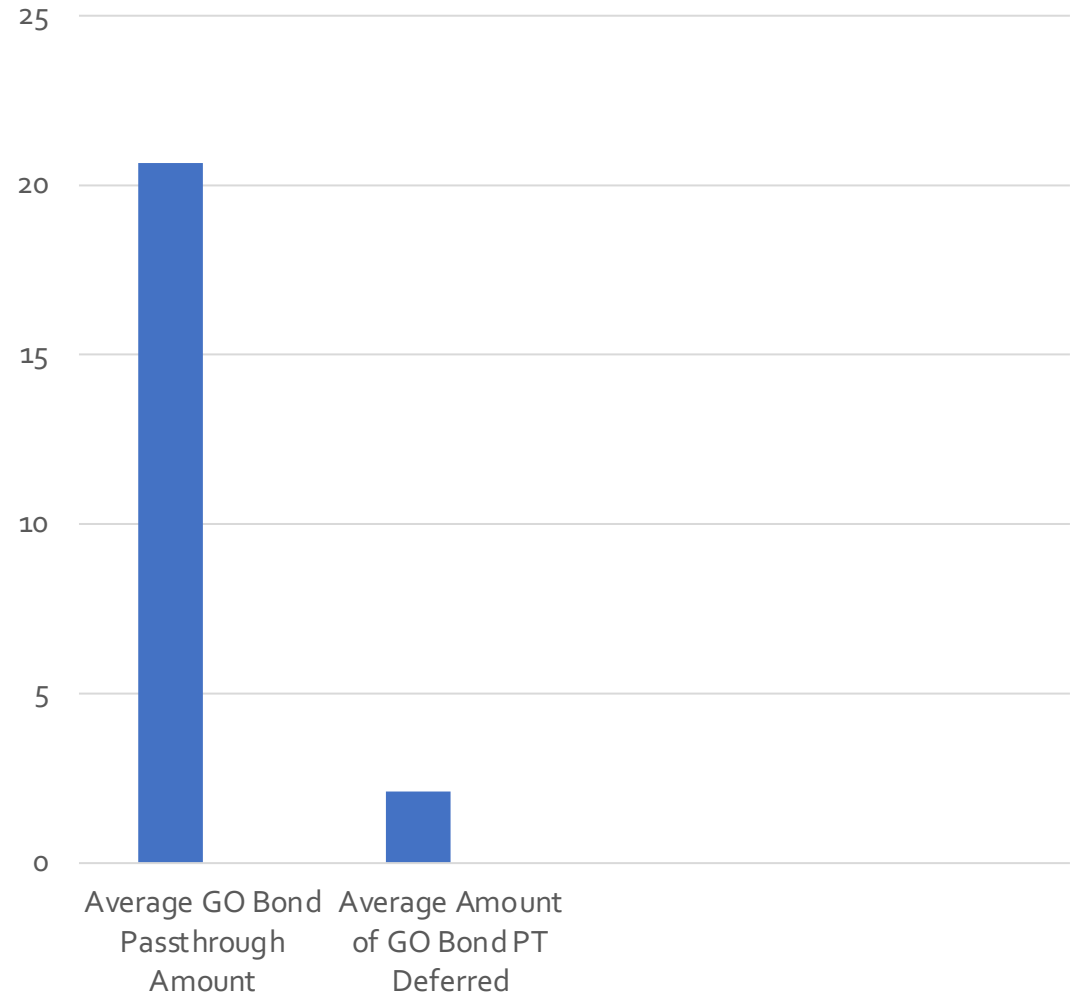
Average GO Bond Charged by Landlord = \$20.66/month for 12 months

Average Amount of GO Bond Passthrough Deferred = \$2.12

Currently, only the portion of GO Bonds attributable to bonds approved by voters after 11/15/19 are eligible for deferral

No deferral before November 2020

Pass Through Amounts



BOARD of SUPERVISORS



City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco 94102-4689  
Tel. No. (415) 554-5184  
Fax No. (415) 554-5163  
TDD/TTY No. (415) 554-5227

## MEMORANDUM

TO: Greg Wagner, City Controller  
Christina Varner, Executive Director, Rent Board

FROM: Victor Young, Assistant Clerk *Victor Young*

DATE: May 8, 2024

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee received the following proposed legislation:

File No. 240174

Ordinance amending the Administrative Code to provide that the general obligation bond passthrough from landlords to tenants shall be calculated based on the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date or 2005, whichever is later; and to allow tenants to seek relief from general obligation bond passthroughs based on financial hardship.

If you have comments or reports to be included with the file, please forward them to Victor Young at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: [victor.young@sfgov.org](mailto:victor.young@sfgov.org).

cc. Tood Rydstrom, Office of the Controller



March 19, 2024

Supervisor Hillary Ronen  
1 Dr. Carlton B. Goodlett Place  
City Hall Room 244  
San Francisco, CA 94102

Re: File 240174, Assigned to Rules, Bond Pass-Throughs to Tenants

Dear Supervisor Ronen,

I am writing to seek your support and request your co-sponsorship of this legislation to update and reform the Rent Law's provision for Pass-Through of Property Tax Increases due to the passage of G.O. Bonds.

Since fiscal year 2005-2006, the City has adhered to the Capital Plan mandate that the issuance of new G.O. Bonds be staggered and timed with the retirement of existing G.O. Bonds, in order to accomplish the goal of not raising property taxes. This policy is routinely touted in the materials urging voters to adopt G.O. Bonds. We tell the voters that their vote for the G.O. Bonds will not raise property taxes.

Meanwhile, the antiquated provision in the Rent Law has been producing significant Pass-Throughs for Property Tax Increases, ostensibly due to the passage of those same G.O. Bonds, when in fact those property tax increases do not exist.

The legislation I am writing to you about will update the relevant Rent Law pass-through provision to reflect the "No Property Tax Increase" policy. City and County G.O. Bonds that adhere to the Capital Plan, and therefore do not result in a property tax increase, will, by the same token, not result in a Pass-Through.

The existing Rent Law provision is based on what was a bit of a "one-off" solution originally addressing just two G.O. Bonds, first in 1996 and then in 1998. The formula is an inexact approximation that resulted, among other things, in tenants paying for property tax increases that occurred before their tenancy even started. The passage of time has magnified the inaccuracy of the original provision, with increased significance as the discrepancy has grown. The adoption of the Capital Plan beginning in Fiscal Year 2005/06 has made this clear, as the City approves and issues G.O. Bonds, without raising property taxes, while tenants pay a Pass-Through for an increase in property taxes that no longer exists.

71 Norwich Street, San Francisco, CA 94110 415-756-3037

[www.saffordablehousingalliance.org](http://www.saffordablehousingalliance.org)



The legislation provides that the G.O. Bond Pass-Through will be calculated based upon the amount the Property Tax Rate has increased due to general obligation bonds after the tenant's move-in date, or 2005, whichever is later.

The result will be that the City's G.O. Bonds issued pursuant to the Capital Plan's "No Property Tax Increase" provision, will not result in a pass-through to tenants.

Other provisions of the legislation will allow tenants to seek relief based on financial hardship, and to require landlords to file a copy of their Pass-Through worksheet with the Rent Board, a process that mimics one already in place for certain Utility Pass-Throughs. The legislation will not result in a significant increase in work load for the Rent Board.

My request is that you consider supporting the legislation by joining as a co-sponsor.

Sincerely,

Mitchell Omerberg  
Director

**From:** [anastasia Yovanopoulos](#)  
**To:** [Mandelman, Rafael \(BOS\)](#); [Young, Victor \(BOS\)](#)  
**Cc:** [Peskin, Aaron \(BOS\)](#); [Melgar, Myrna \(BOS\)](#); [Preston, Dean \(BOS\)](#); [Ronen, Hillary \(BOS\)](#); [Chan, Connie \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [Calvillo, Angela \(BOS\)](#); [Engardio, Joel \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Stefani, Catherine \(BOS\)](#)  
**Subject:** "No Property Tax Increase" pass-throughs to tenants  
**Date:** Thursday, April 11, 2024 3:01:22 PM

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Supervisor Mandelman and fellow Supervisors,

**The San Francisco Tenants Union supports the proposed legislation ([File 240174](#)) to update and reform the Rent Law's provision for pass-through of property tax increases due to the passage of General Obligation (G.O.) Bonds.**

It's a fact that the City does not raise property taxes for G.O. Bonds. New bonds are only issued as old ones are retired. Under the Rent Law, tenants are paying a pass-through for a cost increase that no longer exists. Due to the issuance of City and County G.O. Bonds. Since 2005 tenants have been charged and have been paying for increases in property taxes when there have been no such increases. So, while property owners benefit from the "No Tax Increase" policy, tenants do not.

The legislation provides that the G.O. Bond Pass-Throughs will be calculated based upon the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date, or 2005, whichever is later. The result will be that the City's G.O. Bonds issued pursuant to the Capital Plan's "No Property Tax Increase" provision will not result in pass-throughs to tenants.

Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We urge you to support this legislation and consider joining as a co-sponsor.

Sincerely,  
Anastasia Yovanopoulos, on behalf of  
SF Tenants Union Steering Committee



April 11th, 2024

the Honorable Supervisors Ronen, Walton, and Safai  
Members of the Rules Committee  
City Hall  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA, 94102

Re: [File 240174](#) Bond Pass-Throughs to Tenants

Dear Chair Ronen, Supervisor Walton, and Supervisor Safai,

I am writing on behalf of the Council of Community Housing Organizations to express our support for the Bond Pass-Through to Tenants legislation.

Bond financing is the most significant and consistent local revenue source to finance our city's core infrastructure needs, including the production and preservation of affordable housing, enabling our city to match the scale of our public investments with the citywide goals we have adopted. This legislation would update and reform the city's policy regarding pass-throughs of property tax increases following the passage of General Obligation Bonds so that landlords and tenants may share the burden of property tax increases that result from general obligation bond debt in a manner that reflects the City's debt management policies.

Since 2005, the City has adhered to a policy of issuing new General Obligation Bonds only when previous bond debt has been retired. This policy goal enables the city to not raise property taxes every time a new bond is issued. Unfortunately, the benefits of this policy have not been evenly shared among property owners and tenants. In recent years, San Francisco has experienced an increase in corporate ownership of rent-stabilized buildings. Some landlords in this category have raised tenant rents despite there being no actual costs for them to pass through. So, while property owners benefit from the "No Tax Increase" policy, tenants do not.

The legislation provides that the Bond Pass-throughs be calculated based upon the amount the property tax rate has increased from general obligation bonds since the tenant's move-in date, or 2005, whichever is later. The result will be that the City's General Obligation Bonds issued pursuant to the Capital Plan's "No Property Tax Increase" provision will not result in pass-throughs to tenants. Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We urge you to support this legislation.

Sincerely,

Charlie Sciammas  
Policy Director



April 11, 2024

Supervisor Hillary Ronen  
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA, 94102

Re: [File 240174](#), assigned to Rules, under the 30 day rule – Bond Pass-Throughs to Tenants

Dear Supervisor Ronen,

We are writing to thank you for sponsoring legislation ([File 240174](#)) to update and reform the Rent Law's provision for pass-through of property tax increases due to the passage of General Obligation (G.O.) Bonds.

Since 2005, the City has adhered to a “No Tax Increase” policy articulated in the City’s Capital Plan when issuing bonds. Simply put, the City does not raise property taxes for G.O. Bonds. New bonds are only issued as old ones are retired. Even so, **under the Rent Law, tenants are paying a pass-through for a cost increase that no longer exists**. So, while property owners benefit from the “No Tax Increase” policy, tenants do not.

During this time, San Francisco has experienced an increase in corporate ownership of rent-stabilized buildings. The business plan of these corporate owners, Veritas being perhaps the most prominent, has been, in part, to specifically purchase buildings with possible but previously unimposed rent increases, promising their investors a return based upon the anticipated increases, and then immediately imposing them after purchase.

Nothing has been more pernicious than speculative rent increases based upon cost recovery of a **cost increase that does not exist**. Tenants have been paying for increases in property taxes due to the issuance of City and County G.O. Bonds when, since 2005, there have been no such increases.

This legislation will update the relevant Rent Law Bond Pass-Through provision to reflect the “No Property Tax Increase” policy in effect since 2005. City and County G.O. Bonds that adhere to the Capital Plan and therefore do not result in property tax increases for landlords will, by the same token, not result in Bond Pass-Throughs for tenants.

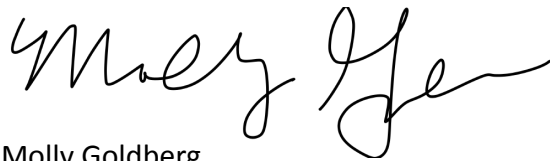
The legislation provides that the G.O. Bond Pass-Throughs will be calculated based upon the amount the property tax rate has increased due to general obligation bonds since the tenant’s move-in date, or 2005, whichever is later. **The result will be that the City’s G.O. Bonds issued**

**pursuant to the Capital Plan’s “No Property Tax Increase” provision will not result in pass-throughs to tenants.**

Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We appreciate your leadership in this common-sense effort.

Sincerely,



Molly Goldberg  
Director, San Francisco Anti-Displacement Coalition  
and:

Affordable Housing Alliance  
AIDS Legal Referral Panel  
Asian Law Caucus  
Bill Sorro Housing Program (BiSHoP)  
Causa Justa Just Cause  
Housing Rights Committee of San Francisco

North Beach Tenants Committee  
San Francisco Anti-Displacement Coalition  
San Francisco Community Land Trust  
San Francisco Tenants Union  
South of Market Community Action  
Veritas Tenants Association





**From:** [T.Flandrich](#)  
**To:** [Ronen, Hillary \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [Safai, Ahsha \(BOS\)](#)  
**Cc:** [Peskin, Aaron \(BOS\)](#); [Angulo, Sunny \(BOS\)](#); [Young, Victor \(BOS\)](#); [Chan, Connie \(BOS\)](#); [Stefani, Catherine \(BOS\)](#); [Engardio, Joel \(BOS\)](#); [Preston, Dean \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Melgar, Myrna \(BOS\)](#); [Mandelman, Rafael \(BOS\)](#); [Calvillo, Angela \(BOS\)](#)  
**Subject:** Item #2 File 240174 Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs SUPPORT  
**Date:** Sunday, April 14, 2024 11:35:01 AM

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12. April 2024

Dear Chair Ronen, Supervisor Walton and Supervisor Safai,

I am writing in support of this common sense legislation which will primarily update the relevant Rent Law pass-through provision to reflect the “No Property Tax Increase” policy.

This update and clarification is obviously needed, not only because the outdated provision in the Rent Law has been producing significant Pass-Throughs for Property Tax Increases, ostensibly due to the passage of those same G.O. Bonds, when in fact those property tax increases do not exist, but also because of apparent confusion for both tenants and landlords.

As seen in some of the public comment letters, the mischaracterization of this legislation by MB Property Group (headquartered in Mill Valley) along with its affiliates, underscores the necessity for absolute clarity.

I want to thank President Peskin for bringing this forward today, and thank those of you who have already signed

on as co-sponsors. Please pass this legislation with recommendation to the full Board.

Theresa Flandrich  
North Beach Tenants Committee

**From:** [Carmel Passanisi](#)  
**To:** [Board of Supervisors \(BOS\)](#)  
**Subject:** Elimination of General Obligation Passthrough by Aaron Peskin  
**Date:** Monday, April 22, 2024 1:40:04 PM

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Hello,

I'd like to encourage a NO vote on this proposition. As a property owner, I am inundated yearly with new fees and new mandated improvements to my building which benefit tenants but for which they pay nothing.

The bonds passthroughs, which I have never utilized, at least attempt to balance the scales, however minutely.

The city treats landlords like their cash cows, but what have they done for us? When do I get a break or even a fair shake?

I'm a 77 year old single woman with 4 rental units....The financial burdens that the city keeps imposing on me will eventually drive me out of business. I'm a good landlord. I like my tenants and they like me. It's a partnership....each one contributing to a better life for the other, without animosity. The hostile attitude evinced by the Board of Supervisors and the Mayor make my life difficult and unpleasant and make me question the value of living in SF, the city I was born and raised in, (unlike most renters)

My property taxes support this city,

but if the Board of Supervisors and the Mayor keep spending the way they have in the past (the \$1.7 million toilet comes to mind) and keep

using these issues to advance their political careers (with tenant voters) with no concern for the people who are good citizens and pay the bills, not only will downtown be deserted, but the rest of the city will be as blighted and empty.

I would like to see the Board of Supervisors actually come up with brilliant and inventive ideas that could save the city. I would like to see them actually use the bonds to build that affordable housing that was promised in 2015 and that I pay for on my property taxes but somehow has never materialized. Instead, Aaron Peskin has come up with a new way to win votes.

It's sad. San Francisco considers itself as a "smart" city, but the lack of creativity and real solutions to the problems that face the city belies that.

Thank you for your time,

Carmel Passanisi

**From:** [Salman Shariat](#)  
**To:** [Stefani, Catherine \(BOS\)](#); [Peskin, Aaron \(BOS\)](#); [EngardioStaff \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Mandelman, Rafael \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Board of Supervisors \(BOS\)](#)  
**Subject:** Vote NO: File Number 240174, General Obligation Bond Passthroughs  
**Date:** Sunday, April 21, 2024 3:27:52 PM

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Hello Board of Supervisors,

I am a small property owner in San Francisco. I have lived here for 15 years and I own or co-own 4+ properties in San Francisco. I love this city because of the character, beauty and diversity it provides. I am a child of immigrants and San Francisco has afforded me all the opportunities imaginable. No matter what anybody says, I still support San Francisco and believe in the long term success of this city.

However, passing legislation such as File Number 240174, General Obligation Passthroughs is dangerous legislation in my mind. This sort of legislation starts to create division among property owners and renters. It starts putting all the onus on property owners to pay for measures in which the voters (typically tenants) are the ones voting in on policy. The tenants/voters do not have any 'skin in the game' with regards to costs associated with policies they choose. This begins a slippery slope of no accountability.

The way the current legislation is written is that it shares the cost between tenants and landlords. If tenants need financial hardship, they can file for that at the rent board and the rent board handles these situations very adeptly. The current system works well and there is no need for a change.

If the legislation passes as written, I will be voting NO on all future bond measures and contributing to campaigns to defeat future bond measures. San Francisco will put at risk all capital improvement plans as bonds will not be able to be approved. I will, personally, work vehemently to oppose all bonds being passed until a proper San Francisco budget can pay for the improvements through the General Fund. This legislation is an unfair tax/cost on property owners that seeks to remove accountability from Tenants/Voters on policies they choose. Accountability is important for a well functioning society and I hope the Board of Supervisors does not vote Yes on this legislation as it would be very short-sighted.

On a side note, if GO Bond Passthroughs are removed from eligible rent increases, this will reduce the price in which an apartment building is traded for. This will then directly impact the assessed value for Property Tax collections for the San Francisco Budget. I am currently in the market for a \$5M+ apartment building and if this legislation is passed, it will lower the purchase price that I pay for that property. This will then lower the property tax which will LOWER the San Francisco budget in the near future and for years to come.

Salman Shariat  
Mobile: (650) 346-2224

**From:** [Zane Blaney](#)  
**To:** [Stefani, Catherine \(BOS\)](#)  
**Subject:** NO vote on File Number 240174, General Obligation Bond Passthroughs  
**Date:** Thursday, April 18, 2024 6:24:38 PM

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This message is from outside the City email system. Do not open links or attachments from untrusted sources.

As mom and pop landlords in SF for more than 5 decades, providing below market rents that teachers, policemen and firemen can afford, we are deeply concerned by the most recent effort by Supervisors to squeeze our business out of business. The proposed ban on pass-throughs on a portion of general obligation bonds is unfairly pushing bond debt on us. This will reduce our ability to provide below market rents and we will never vote for bond issues again. VOTE NO.

--

Zane Blaney  
San Francisco  
[zaneblaney@gmail.com](mailto:zaneblaney@gmail.com)

**From:** [Tai Lee](#)  
**To:** [Board of Supervisors \(BOS\)](#); [Chan, Connie \(BOS\)](#); [Stefani, Catherine \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Mandelman, Rafael \(BOS\)](#); [EngardioStaff \(BOS\)](#); [Peskin, Aaron \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Meigar, Myrna \(BOS\)](#); [Preston, Dean \(BOS\)](#)  
**Subject:** Please Vote No on Unfairly Putting the Burden of Bond Costs on Property Owners  
**Date:** Thursday, April 18, 2024 4:25:15 PM

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Dear Supervisors:

A harsh and unfair proposal to eliminate the bond passthrough for tenants is being considered. I live in San Francisco and am a small rental property owner with very high operating expenses that keep growing and growing in this city. The bond passthrough helps to mitigate some growing expenses where voters, including renters, are responsible for increasing the cost to operate rental properties they live in.

All city residents should share in the cost of funding the public services and critical infrastructure improvements that General Obligation bonds pay for. This legislation unfairly pushes all the burden of those costs onto property owners.

The City is looking at approving over \$1 Billion in General Obligation bonds over the next few years, including for critical items like waterfront safety, earthquake safety, and emergency response. Now is not the right time to approve this legislation and put future bonds at risk.

If this legislation passes as currently written, you will be voting NO on all future bond measures and contributing to campaigns to defeat future bond measures.

A "YES" vote on this legislation is a vote to put the City's capital plan and future bond measures in jeopardy.

The existing General Obligation Bond passthrough amount for tenants is minimal, and there are currently financial hardship provisions for low-income tenants. Even so, it's important that both tenants and property owners contribute to civic improvements.

Thank you,  
Tai Kwan

**From:** [Marina Franco](#)  
**To:** [Board of Supervisors \(BOS\)](#)  
**Subject:** Please VOTE NO on File #240174 regarding General Obligation Bond Passthroughs.  
**Date:** Thursday, April 18, 2024 3:53:08 PM

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Dear Supervisor:

I respectfully request that you VOTE NO on File #240174 regarding General Obligation Bond Passthroughs. For the last 20 years, the costs of bonds have been shared by both tenants and property owners. Both have a shared interest in improving the quality of life in our city.

All city residents should share in the cost of funding the public services and critical infrastructure improvements that General Obligation bonds pay for. This legislation unfairly pushes 90% of the burden of those costs onto property owners. The existing General Obligation Bond passthrough amount for tenants is minimal, and there are currently financial hardship provisions for low-income tenants. Even so, it's important that tenants and property owners each contribute to civic improvements.

The City is looking at approving over \$1 Billion in General Obligation bonds over the next few years, including for critical items like waterfront safety, earthquake safety, and emergency response. Now is not the right time to approve this legislation and put future bonds at risk. Please note that if this legislation passes as currently written, I will be voting NO on all future bond measures and will be contributing to campaigns to defeat future bond measures.

If the Board of Supervisors approves this legislation, you are putting the City's capital plan and future bond measures at risk.

Thank you for your consideration.

Sincerely,  
Marina Franco