File No. 120669 Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Economic Development **Date** May 13, 2013

Board of Supervisors Meeting **Date** _____

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

OTHER **(Use back side if additional space is needed)**

☒	☐	Environmental Review Determinations, dtd 4/17/13 & 1/4/13
☒	☐	Economic Impact Report, dtd 4/2/13
☒	☐	City Controller's Fee Report, dtd 3/9/12
☒	☐	Youth Commission Memorandum, dtd 2/27/13
☒	☐	Fee Ad Notice
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Alisa Miller **Date** May 10, 2013
Completed by: _____ **Date** _____

[Subdivision Code - Condominium Conversion Impact Fee]

Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion impact fee applicable to certain buildings ~~qualifying for participating but not being selected or participating in the 2013 or 2012 condominium conversion lottery only~~ that would be permitted to convert during a six year period, and subject to specified requirements, including lifetime leases for non-purchasing tenants; adding Section 1396.5, to suspend the annual condominium conversion lottery until 2024 and resume said lottery under specified circumstances tied to permanently affordable rental housing production; amending Section 1396, to restrict future condominium lotteries to buildings of no more than four units with a specified number of owner occupied units for three years prior to the lottery; and adopting environmental findings.

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

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

Section 1. Findings. (a) The Planning Department has determined that the actions contemplated in this Ordinance are in compliance with the California Environmental Quality Act (California Public Resources Code sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 120669 and is incorporated herein by reference.

(b) A copy of the report on the fees identified herein is in Clerk of the Board of Supervisors File No. 120669 and is incorporated herein by reference. The City Controller's Office has independently confirmed that the fee amounts identified in said report remain valid.

This determination is on file with the Clerk of the Board of Supervisors File No. 120669 and is incorporated herein by reference.

(c) The proposed expedited approval process for condominium conversions is intended as a one time adjustment to the backlog in applications for conversions given the specific needs of owners of tenancy-in-common units. In addition, this legislation attempts to integrate this process with the adoption of additional controls on future conversions.

(d) As set forth in the Housing Element of the General Plan, in particular Objective 3, it is the City's policy to preserve the existing supply of rent controlled housing and to increase the production of new affordable rental units. The conversion of rental housing into condominiums, without replacement, results in the loss of existing rent controlled housing contrary to public policy.

(e) In 2012, the voters of the City of San Francisco approved Proposition C that proposed in part to fund and produce 9000 affordable rental housing units over thirty years, establishing an annual baseline production of approximately 300 affordable housing units.

(f) It is the further intent of this legislation to suspend future conversions of rental housing pending the replacement of units converted through the expedited conversion program and to provide additional protections to tenants in buildings to be converted.

Section 2. The San Francisco Subdivision Code is hereby amended by adding Sections 1396.4 and 1396.5, to read as follows:

SEC. 1396.4. CONDOMINIUM CONVERSION IMPACT FEE AND EXPEDITED CONVERSION PROGRAM.

(a) Findings. The findings of Planning Code Section 415.1 concerning the City's inclusionary affordable housing program are incorporated herein by reference and support the basis for charging the fee set forth herein as it relates to the conversion of dwelling units into condominiums.

(b) Any building ~~that: (1) participated in the 2013 or 2012 condominium conversion lottery, but was not selected for conversion or (2) could have participated in the 2013 condominium conversion lottery, but elected not to do so~~, *may* ~~bypass~~ be exempted from *the* annual lottery *provisions of Section 1396* ~~(the annual lottery conversion limitation)~~ *if the building owners for said building comply with Section 1396.3(g)(1) and* ~~pay the condominium conversion impact fee subject to the~~ all the *requirements of this Section* 1396.4. ~~In addition~~Notwithstanding the foregoing, no property subject to the prohibition set forth in Section 1396.2(c) is eligible for ~~said bypass~~ expedited conversion process under this Section 1396.4. Eligible buildings as set forth in this Section (b) may exercise their option to participate in this ~~fee~~ program according to the following requirements:

~~(c) Eligible buildings as set forth in Subsection (b) may exercise their option to participate in this fee program according to the following requirements:~~

~~(1) The applicant(s) for the subject building shall pay the fee specified in Subsection (e) no later than January 24, 2014 for the entire building.~~

~~(2) No later than the last business day before July 25, 2014:~~

~~(i) DPW shall determined that the applicant's condominium conversion subdivision application is complete, or~~

~~(ii) The application is deemed complete by operation of law.~~

~~(3) The applicant shall obtain final and effective tentative approval of the condominium subdivision or parcel map no later than December 31, 2014.~~

~~(4) Any map application subject to a required public hearing on the subdivision or a subdivision appeal shall have the time limit set forth in Subsection (c)(3) suspended until March 13, 2015.~~

~~(5) The Director of the Department of Public Works is authorized to waive the time limit set forth in Subsection (c)(3) as it applies to a particular building due to extenuating~~

~~or unique circumstances. Such waiver may be granted only after a public hearing and in no case shall the time limit extend beyond July 24, 2015.~~

(1) Any building that participated in but was not selected for the 2012 or 2013 condominium conversion lottery consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than five years prior to April 15, 2013, or (b) buildings consisting of five or six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than five years as of April 15, 2013, is eligible for conversion under this Subsection. The applicant(s) for the subject building seeking to convert under this Subsection shall pay the fee specified in Subsection (e) no later than January 24, 2014 for the entire building along with additional information as the Department may require including certification of continued eligibility; however, the deadline for an applicant to pay the fee may be extended pursuant to (j)(3) of this Section.

(2) Any building that participated in but was not selected for the 2012 or 2013 condominium conversion lottery consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than three years prior to April 15, 2014, or (b) buildings consisting of five six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than three years as of April 15, 2014, is eligible for conversion under this Subsection. The applicant(s) for the subject building may apply for conversion under this Subsection on or after April 15, 2014 and shall pay the fee specified in Subsection (e) no later than January 23, 2015 along with additional information as the Department may require including certification of continued eligibility; however, the deadline for an applicant to pay the fee may be extended pursuant to (j)(3) of this Section.

(3) For Additionally Qualified Buildings consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than six years as of April 15, 2015 or (b) buildings consisting of five or six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than six years as of April 15, 2015, the applicant(s) for the subject building may apply for conversion under this Subsection on or after April 15, 2015 and shall pay the fee specified in Subsection (e) no later than January 22, 2016 along with additional information as the Department may require including certification of continued eligibility.

(4) For Additionally Qualified Buildings consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than six years as of April 15, 2016, or (b) buildings consisting of five or six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than six years as of April 15, 2016, the applicant(s) for the subject building may apply for conversion under this Subsection on or after April 15, 2016 and shall pay the fee specified in Subsection (e) no later than January 20, 2017 along with additional information as the Department may require including certification of continued eligibility.

(5) For Additionally Qualified Buildings consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than six years as of April 15, 2017, or (b) buildings consisting of five or six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than six years as of April 15, 2017, the applicant(s) for the subject building may apply for conversion under this Subsection on or after April 15, 2017 and shall pay the fee specified in Subsection (e) no later than January 19, 2018 along with additional information as the Department may require including certification of continued eligibility.

(6) For Additionally Qualified Buildings consisting of (a) four units or less in which one unit has been continuously occupied by one of the applicant owners of record for no less than six years prior to April 15, 2018, or (b) buildings consisting of five or six units in which 50 percent or more of the units have been continuously occupied by the applicant owners of record for no less than six years as of April 15, 2018, the applicant(s) for the subject building may apply for conversion under this Subsection on or after April 15, 2018 and shall pay the fee specified in Subsection (e) no later than January 25, 2019 along with additional information as the Department may require including certification of continued eligibility.

(7) An "Additionally Qualified Building" within the meaning of this Section is defined as a building in which the owners of record have a fully executed written agreement as of April 15, 2013 in which the owners each have an exclusive right of occupancy to individual units in the building to the exclusion of the owners of the other units.

~~(6)~~ ~~(7)~~ (8) ~~The~~ In addition to all other provisions of this Section, the applicant(s) must meet the following requirements applicable to Subdivision Code Article 9, Conversions: Sections 1381, 1382, 1383, 1386, 1387, 1388, 1389, 1390, 1391(a) and (b),1392, 1393, 1394, and 1395. In addition, the applicant(s) must certify that to the extent any tenant vacates his or her unit after March 31, 2013 and before recordation of the final parcel or subdivision map, such tenant did so voluntarily or if an eviction or eviction notice occurred it was not pursuant to Administrative Code Sections 37.9(a)(8)-(14). If an eviction has taken placed under 37.9(a)(11) or 37.9(a)(14) then the applicant(s) shall certify that the original tenant reoccupied the unit after the temporary eviction.

(c) Decisions and Hearing on the Application.

(1) The applicant shall obtain a final and effective tentative map or tentative parcel map approval for the condominium subdivision or parcel map within one (1) year of paying the fee specified in Subsection (e).

(2) No less than twenty (20) days prior to the Department's proposed decision on a tentative map or tentative parcel map, the Department shall publish the addresses of building being considered for approval and post such information on its website. During this time, any interested party may file a written objection to an application and submit information to DPW contesting the eligibility of a building. In addition, the Department may elect to hold a public hearing on said tentative map or tentative parcel map to consider the information presented by the public, other City department, or an applicant. If the Department elects to hold such a hearing it shall post notice of such hearing and provide written notice to the applicant, all tenants of such building, any member of the public who submitted information to the Department, and any interested party who has requested such notice. In the event that an objection to the conversion application is filed in accordance with this Subsection, and based upon all the facts available to the Department, the Department shall approve, conditionally approve, or disapprove an application and state the reasons in support of that decision.

(3) Any map application subject to a Departmental public hearing on the subdivision or a subdivision appeal shall have the time limit set forth in this Subsection (c)(1) extended for another six (6) months.

(4) The Director of the Department of Public Works is authorized to waive the time limits set forth in this Subsection (c)(1) as it applies to a particular building due to extenuating or unique circumstances. Such waiver may be granted only after a public hearing and in no case shall the time limit extend beyond two (2) years after submission of the application.

(d) Should the subdivision application be denied or be rejected as untimely in accordance with the dates specified above, or the tentative subdivision map or tentative parcel map disapproved, ~~DPW~~ the City *shall refund the entirety of the applicant's fee specified in Subsection (e).*

(e) The fee amount is $20,000.00 per unit for all buildings that ~~participated in the lottery for the first time in 2013 or~~ seek to convert under Subsection (b)(1)-(6). Said fee shall be adjusted annual in accordance with the terms of Section 1315(f). *Said fee is reduced for each year the building has participated in the condominium conversion lottery up to and including the 2013 lottery in accordance with the following formula:*

(1) 2 years of participation, 20% fee reduction per unit;

(2) 3 years of participation, 40% fee reduction per unit;

(3) 4 years of participation, 60% fee reduction per unit; and

(4) 5 or more years of participation, 80% fee reduction per unit.

(f) For purposes of Section (e), a building's owner(s) *shall get credit only for those years that* ~~it~~ he or she *participated in the lottery even though such building could have qualified for and participated in other condominium conversion lotteries.*

(g) Life Time Lease for Non-purchasing Tenants.

(1) ~~No subdivider or subsequent condominium unit owner shall refuse to renew a lease or extend a rental agreement to any~~ Any application for conversion under this Section shall include a certification under penalty of perjury by the applicants that all *non-purchasing tenant*(s) in the building have been offered a life time lease in the form and with the provisions published and prescribed by DPW in consultation with the Rent Board. Such life time lease shall be executed by the owners of the building(s) and recorded prior to ~~at~~ *the time of Final Map or Parcel Map approval.* ~~Any extended~~ Any life time *leases* ~~or rental agreements~~ *made pursuant hereto shall expire only upon the death or demise of* the last *such* life-*tenant* residing in the unit *or the last surviving member of the* life-*tenant's household, provided such surviving member is related to the* life- *tenant by blood, marriage, or domestic partnership, and is* either disabled, catastrophically ill, or *aged 62 or older at the time of death or demise of* any *such* life-*tenant, or at such time as the* life-*tenant*(s) in the unit *voluntarily vacates the unit after giving due notice of such intent to vacate. Each*

lease shall contain a provision allowing the tenant to terminate the lease and vacate the unit upon 30 days' notice. ~~Rent~~ and a provision that rent *charged during the term of* ~~any extended~~the *lease* ~~or rental agreement pursuant to the provisions of this Section~~ *shall not exceed the rent charged at the time of filing of the application for conversion, plus any increases proportionate to the increases in the residential rent component of the "Bay Area Cost of Living Index, U.S. Dept. of Labor," provided that the rental increase provisions of this Section shall be operative only in the absence of other applicable rent increase or arbitration laws.* ~~This Section~~ The lease also *shall* state that it shall *not alter or abridge the rights or obligations of the parties in performance of their covenants, including but not limited to the provision of services, payment of rent or the obligations imposed by Sections 1941, 1941.1 and 1941.2 of the California Civil Code.* ~~There~~ and that there *shall be no decrease in dwelling unit maintenance or other services historically provided to such units and such* life-*tenants.* ~~A binding and recorded agreement~~ The provision of a lifetime lease pursuant to this Subsection shall be a condition imposed on each tentative parcel or tentative subdivision map subject to this Subsection 1396.4(g). Binding and recorded agreements between the tenant(s) and the property owner(s) and between the City and the property owner(s) concerning this requirement shall be a tentative map condition imposed on each parcel or subdivision map subject to this Subsection 1396.4(g). For purposes of this Subsection, the Board of Supervisors delegates authority to the DPW Director, in consultation with the Mayor's Office of Housing, to enter in said agreement on behalf of the City and County of San Francisco.

(2) If the owner(s) of a building subject to the lifetime lease provisions of this Section 1396.4(g) enters into any contract or option to sell or transfer any unit that would be subject to the lifetime lease requirements or any interest in any unit in the building that would be subject to the lifetime lease requirements at any time between the initial application and recording of the final subdivision map or parcel map, said contract or option shall be subject to the following conditions: (a) the contract or option shall include written notice that the unit shall be

subject to the lifetime lease requirements of Subdivision Code Section 1396.4(g), (b) prior to final execution of any such contract or option, the owner(s) shall record a notice of restrictions against the property that specifically identifies the unit potentially subject to the lifetime lease requirements and specifies the requirements of the lifetime lease as set forth in Section 1396.4(g)(1), and (c) the recorded notice of restrictions shall be included as a note on the final subdivision map or parcel map. Prior to approval of a final subdivision map or parcel map, the applicant(s) shall certify under penalty of perjury to the Department that he, she, or they have complied with the terms of this Subsection as it applies to a building. Failure to provide this certification from every current owner of a building shall result in disapproval of the map. The content of the notices and certifications required by this Subsection shall comply with the instructions and procedures developed by the Department.

(h) In recognition of the rental requirements of Section (g), the fee for each unit in which a non-purchasing tenant resides at the time specified in Section (g) who is offered a life time lease and is unrelated by blood, marriage, or domestic partnership to any owner of the building *shall be refunded to the subdivider under the following formula:*

(1) One unit, 10% fee reduction for such unit;

(2) Two units, 20% fee reduction for each unit;

(3) Three units, 30% fee reduction for each unit.

(i) Upon confirmation of compliance with the rental requirement, DPW or the City department in possession of the fee revenue *shall refund the amount specified in Section (h) to the subdivider and have all remaining fee revenues transferred to the* ~~Citywide Affordable Housing Fund Mayor's Office Home Ownership Assistance Loan Fund~~City's Housing Stabilization Fund for the purpose of creating or preserving housing affordable to low or moderate income households in San Francisco.

(j) Waiver or reduction of fee based on absence of reasonable relationship or deferred payment based upon limited means.

(1) A project applicant of any project subject to the requirements in this Section may appeal to the Board of Supervisors for a reduction, adjustment, or waiver of the requirements based upon the absence of any reasonable relationship or nexus between the impact of development and the amount of the fee charged or for the reasons set forth in Subsection (2) below, a project applicant may request a waiver from the Board of Supervisors.

(2) Any appeal of ~~waiver~~ *requests under this clause shall be made in writing and filed with the Clerk of the Board no later than 15 days after the date the sponsor is required to pay and has paid to the Treasurer the fee as required in this Section. The appeal shall set forth in detail the factual and legal basis for the claim of waiver, reduction, or adjustment. The Board of Supervisors shall consider the appeal at the hearing within 60 days after the filing of the appeal. The appellant shall bear the burden of presenting substantial evidence to support the appeal, including comparable technical information to support appellant's position. If a reduction, adjustment, or waiver is granted, any change of use or scope of the project shall invalidate the waiver, adjustment or reduction of the fee. If the Board grants a reduction, adjustment or waiver, the Clerk of the Board shall promptly transmit the nature and extent of the reduction, adjustment or waiver to the Treasurer and Department of Public Works.*

(3) A project applicant may apply to the Department of Public Works for a deferral of payment of the fee described in Subsection (e) for the period that the Department completes its review and until the application for expedited conversion is approved, provided that the applicant satisfies each of the following requirements: (i) the applicant resided in his or her unit in the subject property as his or her principle place of residence for not less than three years and (ii) that for the twelve months prior to the application, the applicant's

household income was less than 120% of median income of the City and County of San Francisco as determined by the Mayor's office of Housing.

~~(k) Any building that participates in the fee program set forth herein shall automatically be ineligible to participate in the 2014 condominium conversion lottery. DPW The City shall refund to the applicant any fees paid to participate in the 2014 lottery and shall remove any lottery tickets associated with the subject building from the lottery drawing.~~

~~(l)~~ *Buildings that convert pursuant to this Section shall have no effect on the terms and conditions of Section 1341A, 1385A, or 1396 of this Code.*

SEC. 1396.5. SUSPENSION OF THE LOTTERY PENDING PRODUCTION OF REPLACEMENT UNITS FOR EXPEDITED CONVERSION UNITS.

(a) Within twelve months after issuing tentative or tentative parcel map approval for the last conversion under Section 1396.4, the Department shall publish a report stating the total number of units converted under the Expedited Conversion program.

(b) No later than April 15 of each year until the termination of the suspension period, the Mayor's Office of Housing shall publish a report stating the total number of permanently affordable rental housing produced in San Francisco and the "Conversion Replacement Units" produced in the previous calendar year. For purposes of this Subsection, the Mayor's Office of Housing shall have the authority to determine what type and form of housing constitutes permanently affordable rental housing that has been produced.

(c) The Department shall not accept an application for the conversion of residential units under Section 1396 nor conduct a lottery under this Article until the total number of Conversion Replacement Units produced in the City of San Francisco exceeds the total number of units converted under Section 1396.4(b)(1)-(6) and in no event shall it conduct a lottery prior to January 1, 2024; provided however, that the total period of suspension of the lottery shall not exceed the "Maximum Suspension Period" as defined below.

(d) "Conversion Replacement Units" in any year shall be determined by subtracting 300 from the total number of permanently affordable rental units that the City produced in that year starting on January 1, 2014.

(e) The "Maximum Suspension Period" shall be the number of years calculated by dividing the total number of units approved for conversion under Section 1396.4(b)(1)-(6) (the Expedited Conversion program) divided by 200 and rounded to the nearest whole number with the year 2014 as the starting point. For example, if 2400 units have been converted under Section 1396.4(b)(1)-(6), then the maximum suspension period would be 12 years and run until 2026.

Section 3. The San Francisco Subdivision Code is hereby amended by amending Section 1396, to read as follows:

SEC. 1396. ANNUAL CONVERSION LIMITATION.

(a) This Section governing annual limitation shall apply only to conversation of residential units. This Section also is subject to the limitations established by Section 1396.5's suspension of the lottery.

(b) Applications for conversion of residential units, whether vacant or occupied, shall not be accepted by the Department of Public Works, except that a maximum of 200 units as selected yearly by lottery by the Department of Public Works from all eligible applicants, may be approved for conversion per year for the following categories of buildings:

~~(a)~~ (1) Buildings consisting of four units ~~or less~~ in which ~~one~~ at least three of the units ~~has~~ have been occupied continuously by ~~one of~~ the applicant owners of record as their principle place of residence for three years prior to the date of registration for the lottery as selected by the Director~~.~~;

(2) Buildings consisting of three units in which at least two of the units have been occupied continuously by the applicant owners of record as their principle place of residence for three years prior to the date of registration for the lottery as selected by the Director;

(3) Buildings consisting of two units in which at least one unit has been occupied continuously by the applicant owner of record as his or her principle place of residence for three years prior to the date of registration for the lottery as selected by the Director; or

~~(b) Buildings consisting of six units or less in which 50 percent or more of the units have been occupied continuously by the applicant owners of record for three years prior to the date of registration for the lottery as selected by the Director; or~~

~~(c)~~ (4) Community apartments as defined in Section 1308 of this Code, which, on or before December 31, 1982, met the criteria for community apartments in Section 1308 of this Code and which were approved as a subdivision by the Department of Public Works on or before December 31, 1982, and where 75 percent of the units have been occupied continuously by the applicant owners of record for three years prior to the date of registration for the lottery as selected by the Director.

(c) The conversion of a stock cooperative as defined in Section 1308 of this Code to condominiums shall be exempt from the annual limitation imposed on the number of conversions in this Section and from the requirement to be selected by lottery where 75 percent of the units have been occupied for the lottery as selected by the Director.

(d) No application for conversion of a residential building submitted by a registrant shall be approved by the Department of Public Works to fill the unused portion of the 200-unit annual limitation for the previous year.

(f) Any applicant for a condominium conversion submitted after being selected in the lottery must meet the following requirements applicable to Subdivision Code Article 9, Conversions: Sections 1381, 1382, 1383, 1386, 1387, 1388, 1389, 1390, 1391(a) and

(b),1392, 1393, 1394, and 1395. In addition, the applicant(s) must certify that to the extent any tenant vacated his or her unit ~~after March 31, 2013~~within the seven years prior to the date of selection in the lottery and before recordation of the final parcel or subdivision map, such tenant did so voluntarily or if an eviction or eviction notice occurred it was not pursuant to Administrative Code Sections 37.9(a)(8)-(14). If an eviction has taken placed under 37.9(a)(11) or 37.9(a)(14) then the applicant(s) shall certify that the original tenant reoccupied the unit after the temporary eviction. If the Department finds that a violation of this Subsection occurred prior to recordation of the final map or final parcel map, the Department shall disapprove the application or subject map. If the Department finds that a violation of this Subsection occurred after recordation of the final map or parcel map, the Department shall take such actions as are available and within its authority to address the violation.

Section 4. Effective Date. This ordinance shall become effective 30 days from the date of passage.

Section 4 5. This section is uncodified. In enacting this Ordinance, the Board intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation, charts, diagrams, or any other constituent part of the Subdivision Code that are explicitly shown in this legislation as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the legislation.

Section 6. Suspension of this Ordinance. In the event that there is a lawsuit filed in any court challenging any part of this legislation or the validity of any lifetime lease entered into pursuant to this legislation, then the Expedited Conversion program described in Section 1396.4 will be suspended unless and until there is a final judgment in the lawsuit in all courts and the validity of this legislation in its entirety is upheld. During any such suspension, any

applicant may seek a refund of the condominium conversion impact fee and the provisions of Section 1396 in effect on April 15, 2015 shall be operative.

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

By: _____
John D. Malamut
Deputy City Attorney

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FILE NO. 120669

REVISED LEGISLATIVE DIGEST

(4/15/2013, Amended in Committee)

[Subdivision Code - Condominium Conversion Impact Fee]

Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion impact fee applicable to certain buildings that would be permitted to convert during a six year period, and subject to specified requirements, including lifetime leases for non-purchasing tenants; adding Section 1396.5, to suspend the annual condominium conversion lottery until 2024 and resume said lottery under specified circumstances tied to permanently affordable rental housing production; amending Section 1396, to restrict future condominium lotteries to buildings of no more than four units with a specified number of owner occupied units for three years prior to the lottery; and adopting environmental findings.

Existing Law

The San Francisco Subdivision Code regulates the conversion of apartments and tenancy-in-common buildings to condominium subdivisions and prohibits the conversion of buildings in excess of 6 units. Subdivision Code Section 1396 limits the number of conversions to 200 units annually which are selected in a condominium lottery. In order to participate in the lottery, a specified number of building owners must continuously occupy a unit(s) in the building for at least three years in advance of the lottery. The Subdivision Code requires at least 1 owner occupant in a 2, 3, or 4-unit building and at least 3 owner occupants in a 5 or 6-unit building. Section 1396.3 sets forth the selection process for the annual 200-unit condominium lottery and bases the selection process, in part, on seniority of participation in past lotteries.

Amendments to Current Law

This Ordinance would suspend the condominium conversion lottery until at least 2024. Between the effective date of the legislation and April 15, 2018, referred to as the expedited conversion process, specified 2-6 unit buildings could convert to condominiums once they meet certain identified requirements for ownership and owner-occupation terms and pay a $20,000 per unit condominium conversion impact fee. The fee would be reduced 20% for every year before 2013 that the building participated in the lottery, and the fee revenue collected would be placed into the Mayor's Office Housing Stabilization Fund. The Ordinance also would require that all non-purchasing tenants at the time of final or parcel map approval of the condominium subdivision receive a lifetime lease with certain specified terms and subject to a binding and recorded agreement with the City concerning the lease and a binding and recorded agreement between the owner(s) and the tenant(s). The legislation would adopt special provisions that apply if there is a contract or option to sell a unit or interest in a building

potentially subject to a lifetime lease. In recognition of the lifetime lease requirements, buildings would receive a refund on the condominium conversion fee tied to the number of units associated with a lifetime lease. The Ordinance would establish time periods and procedures to pay the fee or to defer fee payment and complete steps of the conversion process. The legislation provides for a public notice and comment period and potential public hearings in advance of any tentative approval action of the map by the Department of Public Works.

After suspension of the condominium conversion lottery until 2024, the legislation provides that the lottery would resume either when the maximum suspension period is reached based on a formula related to conversions pursuant to the expedited conversion process or earlier if the City meets specified thresholds for production of new affordable units. When the lottery resumes, the Ordinance would limit the maximum building size for conversion to a 4-unit building. While the owner-occupancy requirement would stay the same as current law (3 years), the legislation also would require that any 3-unit building have at least 2 owner-occupants and any 4-unit building have at least 3 owner-occupants. In addition, the legislation would prohibit buildings from participating in the lottery if there were certain evictions within a 7-year period before the lottery. The Ordinance contains a provision that if any lawsuit is filed against the legislation, the expedited conversion process would be suspended until a final judgment is issued in favor of the City. During this time, applicants could seek a refund of the conversion impact fee and the conversion process would revert to the existing condominium lottery process. The Ordinance also would adopt environmental findings.

FILE NO. 120669 ORDINANCE NO.

[Subdivision Code – Condominium Conversion Impact Fee]

Ordinance 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to certain buildings ~~qualifying for participating but not being selected or participating in the 2013 or 2012 condominium conversion lottery only~~ that would be permitted to converted during a six year period, and subject to specified requirements, including lifetime leases for non-purchasing tenants; 2) adding Section 1396.5 to suspend the annual condominium conversion lottery until 2024 and resume said lottery under specified circumstances tied to permanently affordable rental housing production; 3) amending Section 1396 to restrict future condominium lotteries to buildings of no more than four units with a specified number of owner occupied units for three years prior to the lottery; and ~~2)~~ 4) adopting environmental findings.

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

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

Section 1. Findings. (a) The Planning Department has determined that the actions contemplated in this Ordinance are in compliance with the California Environmental Quality Act (California Public Resources Code sections 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. _____ and is incorporated herein by reference.

(b) A copy of the report on the fees identified herein is in Clerk of the Board of Supervisors File No. _____ and is incorporated herein by reference. The City Controller's Office has independently confirmed that the fee amounts identified in said report

NON-PHYSICAL EXEMPTION PURSUANT TO CEQA SECTION 15060(c)(2). 4/17/13 JOY NAVARRETE

BOARD of SUPERVISORS

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

June 20, 2012

File No. 120669

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

Dear Mr. Wycko:

On June 12, 2012, Supervisor Farrell introduced the following proposed legislation:

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

This legislation is being transmitted to you for environmental review, pursuant to Planning Code Section 306.7(c).

Angela Calvillo, Clerk of the Board
By: Alisa Miller, Committee Clerk
Land Use & Economic Development Committee

Attachment

c: Monica Pereira, Environmental Planning
Joy Navarrete, Environmental Planning

Statutory Exemption
CEQA Section 15273
Rates, Tolls, Fares & Charges
1/4/13
JOY NAVARRETE

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

April 02, 2013

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

Re: Office of Economic Analysis Impact Report for File Number 120669

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file number 120669, " Condominium Conversion Impact Fee: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

cc Alisa Miller, Committee Clerk, Land Use and Economic Development Committee

City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Condominium Conversion Fee: Economic Impact Report

File #120669

April 2, 2013

City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Condominium Conversion Fee: Economic Impact Report — April 2, 2013

Main Conclusions

This report analyzes the economic impact of proposed legislation that would modify the way tenancies-in-common may be converted to condominiums in San Francisco. Currently, 200 condominium conversions per year are permitted, and are selected by lottery. Approximately 700 TIC buildings, containing 2,269 housing units, have registered for the 2013 lottery. The proposed legislation would allow property owners of housing units that were registered for the 2012 or 2013 lotteries to bypass the lottery, and convert their buildings to condominiums by paying a fee. The fee was designed after a nexus analysis to offset expected increases in the demand for affordable housing in the city associated with condominium conversion.

Condominium conversion creates clear financial advantages for owners of tenancies-in-common (TIC) buildings. Property owners gain from the fact that financing costs are significantly lower for condominiums than for TIC units (with rates currently at 4.75% for TIC loans vs. 2.25% for comparable condominium mortgages). Under the State Costa-Hawkins Act, condominiums cannot be subject to rent limitations under most circumstances, so owners of condominiums also have the opportunity for greater rental income than owners of TIC units, the vast majority of which are subject to rent control.

The OEA projects that approximately 1,730 participants in the 2013 lottery would elect to utilize the fee option if the legislation were adopted, generating $25 million in one-time fee revenue for the City. The City and other agencies that receive local property tax revenue also stand to receive an additional $1.0 - $1.7 as converted condominiums are sold and reassessed at a higher level. Tenants of these converted properties would likely spend between $0.8 and $1.1 million annually in higher rent.

The City may wish to explore the legalities of strengthening the tenant protections in the legislation. The financial analysis in this report suggests that the bulk of the benefit to property owners is associated with reduced financing costs, and the condominium conversion fee would still be attractive to TIC owners, even if any future rent increase in converted condominiums were limited in exactly the same way, and to the same extent, as rent-controlled apartments are.

INTRODUCTION

Background

Many multi-family residences in San Francisco are legally owned as entire buildings, in which the individual apartment units cannot be bought and sold separately. Condominiums, on the other hand, while often physically part of a larger multi-family residence, may be legally owned by an individual owner, and may be bought and sold separately from the remainder of the building.

For the most part, apartments are occupied by renters, although owners of apartment buildings may occupy units within their buildings. When units in a multi-family residence are occupied by more than one owner, it is referred to as a tenancy-in-common (TIC). Such buildings are often owned by a legal partnership.

TIC owners may buy and sell shares that are equivalent to the ownership of a single unit in the building—for example, a 20% share in a 5-unit building—but this does not make TIC ownership as straightforward as a condominium, as the TIC owner does not actually own his or her unit. Buying, selling, and making investments in a TIC can be significantly more complex, and risky, than it is with a condominium.

Because of this, financing and transaction costs associated with purchasing a TIC share are significantly higher than they are with a condominium, and most investors place a value on the condominium form of ownership. This value appears in the market as a price premium for condominiums over TIC shares.

TIC owners therefore have a clear financial incentive to convert their jointly-owned multi-family property into individually-owned condominiums. The City has a process to allow this conversion. 200 TIC units may be converted to condominiums each year, chosen by lottery.

The Proposed Legislation and Nexus Study

The proposed legislation would create a one-time opportunity for TIC owners to bypass the lottery, and convert their TICs to condominiums by paying a fee to the City.

The legislation would only apply to TICs that were enrolled in the 2012 or the 2013 lottery.

In addition, the legislation would require any tenant remaining in a TIC unit at the time of conversion (a "non-purchasing tenant") to be granted a lifetime lease, with rent increases that are controlled by the Bay Area average rate of inflation in residential rent. The lease could not be modified by any future owner of the condominium.

The legislation establishes a conversion fee of $20,000

per unit, which decreases the longer the TIC has participated in the lottery, according to the schedule in Table 1.

Condominium Conversion Fee Discount, by Length of Time in the Lottery	
0 – 1 years	$20,000
2 Years	$16,000
3 Years	$12,000
4 Years	$8,000
5+ Years	$4,000

The fee is based on a nexus study conducted in 2011 by Keyser Marston Associates (KMA)[1]. The nexus study determined that the conversion of a TIC unit into a condominium would result in a net increase in personal income in San Francisco, through the net replacement of a household able to afford a TIC unit with a household able to afford a condominium. The resulting increase in personal income will lead to higher consumer spending, which is presumed to create employment and population growth. The maximum fee level identified in the nexus study is equal to the amount necessary to offset the housing affordability gap for the new households having income under 120% of the area median.

The nexus study did not consider any potential impacts related to to rent control, or to the effect of conversion on housing construction levels and market rents. It also did not consider the effect of condominium conversion on the assessed value of property in San Francisco, and on property tax revenue.

Based on discussions with brokers, KMA estimated the condominium premium to be 15%, equivalent to a $45,000 to $75,000 gain from conversion (less City conversion fees). The proposed maximum fees identified in the nexus study range from $21,600 to $34,900.

Condominium Conversion Qualification

Each year the City allows qualified TIC buildings with two to six units to convert to condominiums through a lottery system. Two-unit buildings in which separate owners of each unit have occupied the building for at least one year are allowed to by-pass the lottery. Buildings with seven or more units are not permitted to convert to condominiums.

TIC buildings must meet certain owner occupancy requirements in order to enter the lottery and qualify for conversion. Each owner of the TIC must have at least 10% ownership interest. At least one owner must be an occupant of his or her unit for at least three consecutive

[1] *Condominium Conversion Nexus Analysis San Francisco*, Keyser Marston Associates, January 2011

years for buildings with 2-4 units. At least three separate owners must be occupants of their separate units for at least three consecutive years for buildings with 5-6 units.

TIC owners can initially occupy units in the building they own through a variety of ways. Tenants may voluntarily leave, or they may be induced to leave through payments. They can also be evicted through an owner-occupancy eviction or an Ellis Act eviction. An owner-occupancy eviction can occur if the owner owns at least 25% of the property (10% if ownership began before February 21, 1991) and no other unit in the building has been subject to an owner-occupancy eviction. An Ellis Act eviction occurs when the owner withdraws all units in a building from the rental market. However, the City prohibits buildings that have had two or more evictions occurring in separate units after May 1, 2005 from qualifying for conversion for ten years.

TICs that do not win the lottery may remain in it in subsequent years with a higher probability of winning, provided they remain qualified. Based on lottery results from the past several years, conversion has generally been assured by the 7th or 8th year. However, this is not guaranteed by the lottery process, and the actual timing depends on the number of units in the lottery.

Condominium Conversion and Rent Control

Dwelling units constructed before 1980 and offered for rent are subject to rent control under San Francisco's Rent Ordinance. This ordinance allows landlords to establish any initial rent, but limits future increases in rent to 60% of the rate of inflation in the San Francisco Bay Area.

However, the State's Costa-Hawkins Act (1995) prevents local rent control from applying to condominiums in California, in most circumstances. Because of Costa-Hawkins, a conversion of a pre-1980 rental unit to a condominium results in the loss of a rent-controlled unit. Even if the condominium is not owner-occupied, and is instead subsequently rented to a new tenant, that tenancy is not subject by rent control.

The Act does provide for an exception, when a condominium agrees to accept limitations on future rent increases as part of a contract with a public agency, and in exchange for a financial consideration. The proposed legislation utilizes this provision in Costa-Hawkins to require a lifetime lease for non-purchasing tenants; in exchange for this provision, the legislation provides for a fee reduction for affected TIC owners.

ECONOMIC AND FISCAL IMPACTS

Introduction

By changing the process through which apartment units may be converted to condominiums, the proposed legislation will have some near-term, and potentially long-term, impacts on the city's housing market, economy, and tax revenues.

The proposed legislation would not affect the number of units that may be converted under the lottery. The conversion fee, therefore, would result in a net increase in the number of condominiums in the city: from 200 per year under the lottery, to 200 per year under the lottery, plus any that converted in 2013 utilizing the fee option. Assessing the impacts of the fee option therefore involves a comparison a condominium with an equivalent TIC unit.

As stated earlier, condominiums and TIC units differ in two primary respects:

- The financing cost for condominiums is lower than it is for TIC units, because of the greater ease of buying and selling the unit.
- Only TIC units may be subject to rent control.

Consequently, when owners convert a TIC building to condominiums, they stand to benefit from lower financing costs, as well as higher rental income, if the condominiums are rented to tenants. While many condominiums are intended to be owner-occupied after conversion, some are rented,[2] and the comparison between TIC units and condominiums is clearest if differences in financing costs and rental income are considered. The lower financing costs and higher potential income of condominiums also raises the value of the property, and ultimately its assessed value and the City's property tax revenue.

Once per-unit estimates of these impacts are made, an estimate of the likely utilization of the fee, and an aggregate economic impact estimate, can be made.

Impact on Unit Financing Costs

A comparison of condominium mortgage and TIC loan offerings that are similar in their payment terms suggests that there is currently about a 2.5% gap in interest rates paid between the two types of products. For a 30 adjustable rate loan, fixed for the first seven years, paying 1.25 points with excellent borrower credit, current TIC loan rates are 4.75%, while current mortgage rates are 2.25%.

[2] According to data from the U.S. Census, the percentage of San Francisco housing units that are renter-occupied increased after the housing market downturn. In 2011, 63.9% of housing units were renter-occupied; in 2006, 60.7% were.

Every property will be different, but the impact of less expensive financing on owner income can be illustrated by reference to two of the "prototype" TIC units referred to in the KMA nexus study. In this illustration, a TIC share costing $300,000, needing to finance 70% of the original TIC purchase price, can potentially save $3,572 in financing costs through conversion, over a thirty-year financing period. Financing costs could potentially be reduced by $5,954 per year for a similar $500,000 TIC unit.

Potential Annual Finance Savings from Condominium Conversion: Two Sample TIC units

TIC Sales Price	Assumed Loan-to-Value	Amount to Finance	TIC rate	Condo Rate	Annual Finance Cost-TIC	Annual Finance Cost-Condo	Annual Finance Savings from Conversion
$300,000	70%	$210,000	4.75%	2.25%	$13,274	$9,702	$3,572
$500,000	70%	$350,000	4.75%	2.25%	$22,123	$16,170	$5,954

Sources: for TIC rates, GordonFriedman.com (retrieved 3/18/13). For condominium mortgage rates, AmericanInterbanc.com (retrieved 3/18/13).

Impact on Future Rental Income

The fact that condominiums cannot be subject to rent control, but most TIC units are, creates the potential for future rent payments to increase in converted condominiums. This increase can be estimated by comparing increases in market-rate rent payments in the past, with allowable rent increases for rent-controlled units over the same time period.

As stated earlier, existing tenants in units converted using the fee may remain in their units, with future rent increases limited by the legislation. However, the index by which rent may increase under the legislation is different than the one used for rent-controlled units. Under the Rent Ordinance, annual increases in rent are limited to 60% of the overall rate of inflation in the Bay Area. For converted condominiums, rent increases are limited by the Bay Area rate of inflation in residential rents, one component of the overall rate of inflation.

This latter index captures the trend in actual rent paid across the Bay Area, and is in fact the best available estimate of future price increases in non-rent-controlled units. This suggests that there will only be a small difference in the increases in rent that current tenants utilizing the lifetime lease provision will face, from those faced by later tenants whose rent increases would be unregulated.

Over the 1980-2012 period, the average annual increase in this residential rent index was 4.9% per year. The

average allowable rent increase over the same period was 2.3%. If this difference extends in the future, then, on average, rental income associated with the property will increase by an average of 2.6% per year (4.9% - 2.3%). As Table 3 below indicates, this would translate into an annual increase in rent of $437 per year for the $300,000 TIC example from the nexus study which rents at $1,400 per month, and $624 for the $500,000 example which rents at $2,000 per month.

Potential Annual Rent Increases from Condominium Conversion: Two Sample TIC Units

TIC Sales Price	Current Rent	Rent increase - TIC	Rent Increase - Condo	Annual Rent Increase
$300,000	$1,400	2.3%	4.9%	$437
$500,000	$2,000	2.3%	4.9%	$624

Source: For current rent, KMA nexus study. TIC and Condo rent increases based on 60% of annual change in the CPI-U inflation index for the San Francisco Bay Area, and annual change in the residential rent component of the Bay Area CPI-U, respectively.

Together, the reduction in financing costs and the increase in rent combine to increase annual property income by about $4,000-$6,500 per unit. Table 4 suggests that, given a typical capitalization rate of 7%, this increase in property income would translate into an increase in property value of $57,270 for the $300,000 TIC, and $93,965 for the $500,000 TIC unit. When the condominium is sold, its 1% base annual property tax payment will increase by $573 and $940 respectively.

Although actual financing savings and rent increases will differ from these examples, it appears likely that property owners will benefit far more from the financing savings than from the rent increases. In both examples, finance savings make up 90% of the gain in property income and value.

Potential Annual Rent Increases from Condominium Conversion: Two Sample TIC Units

TIC Sales Price	Annual Finance Savings from Conversion	Annual Rent Increase	Annual Increase in Property Income	Capitalization Rate	Increase in Property Value	1% Annual Property Tax Payment
$300,000	$3,572	$437	$4,009	7%	$57,270	$573
$500,000	$5,954	$624	$6,578	7%	$93,965	$940

Fee Utilization and Revenue

As Table 1 indicated, the fee for TIC buildings in their first or second year in the lottery is $20,000, with the fee declining with

According to the Department of Public Works, 2,269 eligible housing units are in the 2013 lottery. It is unlikely that all of them will elect to use the fee, because properties which have been in the lottery for six, seven, or eight years have a high probability of winning without needing to pay a fee.

Based on past winning probabilities for properties at different stages of the lottery, the OEA estimates that approximately 1,730 housing units would elect to convert using the fee. As it would mainly be more recent lottery entrants that would elect to pay the fee, the per-unit fee paid would be relatively high. The OEA further estimates that fee revenue would approximate $25 million.

Aggregate Economic and Revenue Impacts

Given an estimate of the number of units that might be converted under the fee option, and the per-unit impacts discussed in earlier sections, a range of estimates of the aggregate impact of the proposed legislation on the City's economy and property tax revenue can be developed. Using the estimate of the number of housing units utilizing the fee, and the range of per-unit impacts discussed above

- An aggregate annual reduction of housing finance expenditure of between $6.2 and $11.4 million annually, benefitting the owners of the converted properties.
- An annual increase in rent payments of between $0.8 million and $1.1 million annually, due to the loss of rent-controlled housing units and the expected difference, based on past trends, between annual increases in market rents and allowable increases under the Rent Ordinance.
- A one-time increase in local government revenue of $25 million, from the fee.
- An annual increase in property tax revenue of between $1.0 million and $1.6 million.

CONCLUSIONS AND RECOMMENDATIONS

The analysis in the preceding section suggests that the proposed legislation would create clear advantages for owners of tenancies-in-common. Their costs of financing their units would decline, and they would likely earn higher rental income from them, if they wish to put them up for rent, as many condominium owners do. This is both because condominiums are not subject to rent control, and because the rent index used by the lifetime lease provision of the legislation is equivalent to market-rate rent in the Bay Area.

The City stands to benefit from approximately $25 million in one-time fee revenue, and, over time, approximately $1.0 - $1.7 million in higher property tax revenue, because the condominiums will, upon sale, have a higher assessed value.

At the same time, utilization of the fee option would reduce the number of rent-controlled housing units in the city, leading to higher rent payments from current and future tenants.

Despite the fact that property owners stand to increase their property income and value, while some renters face higher rents, condominium conversion is not a zero-sum game for the city.

Financial analysis of some typical TIC cases suggests that the benefits to property owners do not come primarily from higher rents, and that higher rents account for only about 10% of the gain to property owners. The reduction in financing costs is likely to be a much greater source of property income than higher rents. Fundamentally the financing savings is due to the greater efficiency of condominium ownership, compared with TICs, and those particular savings do not come at the expense of other stakeholders in the city.

This suggests that the legislation could be changed to eliminate the costs to future tenants without substantially reducing the incentive for property owners. Specifically, the City may consider if it is legally acceptable to modify the legislation in two ways:

1. Applying the same allowable rent increases to lifetime leases that apply to rent-controlled units;
2. Applying this level of rent limitation to every post-conversion tenancy, in perpetuity, and not only to tenancies of current non-purchasing tenants. As TIC owners would only be voluntarily accepting this control, in exchange for realizing the other benefits of conversion, it may be deemed to fit under the Costa-Hawkins exception that rent control may

only be applied to condominiums when the owner signs a contract with a public agency. As mentioned earlier, the lifetime lease requirement that is currently in the legislation already utilizes this exception.

STAFF CONTACTS

Ted Egan, Chief Economist (415) 554-5268 ted.egan@sfgov.org
Jay Liao, Economist, (415) 554-5159 jay.liao@sfgov.org

From: Michelle Allersma/CON/SFGOV@SFGOV
To: Mark Farrell/BOS/SFGOV@SFGOV,
Cc: Catherine Stefani/BOS/SFGOV@SFGOV, Ben Rosenfield/CON/SFGOV@SFGOV, John Malamut/CTYATT@CTYATT, Kurt Fuchs/CON/SFGOV@SFGOV
Date: 03/02/2012 11:19 AM
Subject: condo conversion fee update

Hello Supervisor Farrell--

We have reviewed the January 2011 Condominium Conversion Nexus Analysis prepared by Keyser Marsten Associates. We believe the data in the report are recent enough to provide a reliable estimate of the nexus amount attributable to condominium conversion, and that an updated report is not necessary for fee discussions at this time.

Attached is an updated estimate of potential fee revenue, which depends heavily on 1) the assumed current value of TICs and 2) the fee level. We've chosen an average value of $500K, based on the nexus study, which estimates that the low end is $300K-$500K, and average recent sales prices (approximately $600K in the past two years).

Table IV-5 of the nexus study lists the maximum supported fees per unit to be:
$21,787 for a $300K unit
$30,117 for a $400K unit
$34,603 for a $500K unit.

Estimates of increased property and property transfer tax revenue that could result from condominium conversions also depend heavily on TIC values and the number of TIC owners that would elect to convert. Kurt Fuchs will look into this more next week and get back to you.

Please let us know if you have questions,
Michelle

Michelle Allersma
Budget and Analysis Division
Controller's Office
City & County of San Francisco
415.554.4792

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: The Honorable Supervisor Farrell

FROM: Ben Rosenfield, Controller

DATE: March 9, 2012

SUBJECT: Estimated Condominium Conversion Fee and Associated Property Tax and Property Transfer Tax

Per your request, the Controller's Office has estimated the range of potential revenues that may be generated by the proposed Condominium Conversion Impact Fee Ordinance as currently drafted. As shown in Table 1, the estimated revenues range from $7.4 million to $24.6 million in fee revenues plus approximately $0.1 million in additional property tax and real property transfer tax revenues. These estimates are highly sensitive to several key assumptions outlined below.

Table 1 Projected Single Year Fee Revenue, Property Tax, and Property Transfer Tax at Different Participation Rates

	100% take up rate 1,857 Units	50% take up rate 929 Units	50% take up rate 557 Units
Fee Revenue (one-time)	$ 24,644,000	$ 12,322,000	$ 7,393,200
Property Tax	$ 40,000	$ 20,000	$ 10,000
Transfer Tax	$ 50,000	$ 30,000	$ 20,000
Total	**$ 24,734,000**	**$ 12,372,000**	**$ 7,423,200**

Estimated Condominium Conversion Impact Fee Revenue

Our projections are based on Keyser Marsten Associates' (KMA) January 2011 Condominium Conversion Nexus Analysis. We have reviewed this report and believe the market data and other assumptions are sufficiently current to provide a reliable estimate of the nexus amount attributable to condominium conversion, and that an updated report is not necessary for fee discussions at this time.

The Condominium Conversion Fee contemplated by the ordinance ranges from $20,000 to $4,000 per unit, with the fee reduced the longer the property has been in the condo conversion lottery. The proposed fees are less than the maximum per unit fee to convert a tenancy-in-common (TIC) to a condominium supported by the KMA nexus study, summarized below:

1. $300,000 TIC value; $21,787 maximum conversion fee,
2. $400,000 TIC value; $30,117 maximum conversion fee, and
3. $500,000 TIC value; $34,603 maximum conversion fee.

The first step in our analysis was to estimate the participation rate of TIC owners willing to pay the conversion fee rather than taking a chance on winning in subsequent rounds of the condo lottery. Our assumption is that the alternative to paying the fee is that the TIC owner borrows an amount equal to the net increase in value from converting from a TIC to a condo for the projected number of years to win the lottery without paying a fee (based on the increased probability of winning the lottery each subsequent year). If the net benefit from paying the fee is greater than the alternative described above, it is assumed that the TIC owner would opt to pay the fee.

For purposes of the analysis, we have assumed an average TIC value of $500,000, based on the range of values in the KMA nexus study, and average recent TIC sales prices of approximately $600,000 in the past two years.

The potential revenue generated by the proposed fee is dependent on several key variables summarized below, which also include the assumptions used in the analysis:

1. TIC Value ($500,000 per unit assumed in this analysis)
2. Value Premium from converting TIC to Condo (15%, per the KMA study)
3. Conversion Impact Fee level (based on proposed ordinance, initially $20,000)
4. Percent of owners willing to pay the fee, or the "take up rate" (to account for uncertainty, a range is presented, assuming 100%, 50%, and 30% of owners opt to pay the fee)
5. Cost to convert from TIC to Condo ($10,900 per unit for permits and code compliance corrections, per the KMA study)

Exhibit A presents a summary of the potential revenue generated by the proposed Condominium Conversion Impact Fee, based on the above key assumptions. As indicated, the fee is estimated to generate from **$7.4 million to $24.6 million**, depending on the participation rate. The bottom of Exhibit A includes an estimate of the fee revenue for a range of TIC values, as well as the revenue generated assuming fees were set at a rate to maximize participation.

Estimated Property Tax and Property Transfer Tax

The incremental value from converting a TIC to a condominium is not realized until the property is sold. In other words, the conversion process itself is not an "assessable event" and will not generate any increased property taxes or property transfer taxes. Only when the property is transferred will tax revenue be generated, based on the value enhancement from converting a TIC to a condominium (again, assumed to be 15% for purposes of this analysis).

Exhibit B presents an estimate of potential tax revenue generated from conversion. The analysis makes the simplifying assumption that the market value of the TIC is equal to the current assessed value. The key assumption in this analysis is the percent of units sold after conversion (which triggers re-assessment and transfer taxes). The turnover rate of residential properties in San Francisco averaged about 5% per year, based on the average annual units sold from 1994 to 2011 divided by the owner-occupied housing inventory.

Applying this turnover rate to the incremental value added through conversion and the assumed "take up" rate provides an estimate of the total incremental value of condos sold each year. Applying the tax rates to this incremental value results in about $40,000 in property taxes and

$50,000 in transfer taxes, assuming 100% take up rate and a $500,000 base value, as indicated in Exhibit B.

If you have any questions, please contact me or you may call Kurt Fuchs on my staff, at 415-554-5369, or Kurt.Fuchs@sfgov.org.

Attachments

Exhibit A

1. Estimated Condominium Conversion Fee Revenue at $500,000 Average TIC Value

			100% take up rate		50% take up rate		30% take up rate	
Lottery Group	Proposed Fee	% Discount from B2 Fee	# Units Participating	Potential Fee Revenue	# Units Participating	Potential Fee Revenue	# Units Participating	Potential Fee Revenue
A6	4,000	80%	253	1,012,000	127	506,000	76	303,600
A5	8,000	60%	324	2,592,000	162	1,296,000	97	777,600
A4	12,000	40%	350	4,200,000	175	2,100,000	105	1,260,000
B3	16,000	20%	440	7,040,000	220	3,520,000	132	2,112,000
B2	20,000		490	9,800,000	245	4,900,000	147	2,940,000
Total			**1,857**	**24,644,000**	**929**	**12,322,000**	**557**	**7,393,200**

Key Assumptions

$500,000	Average TIC value
15%	Value premium from converting TIC to condo
$10,900	Average cost of condo conversion per unit (code compliance, permitting)
7.99%	Annual interest rate

Note: 100% of units in each lottery group would participate if the net benefit from paying the fee is larger than net benefit of the alternative. The net benefit of paying the fee is a 15% increase in the value, minus the fee and average costs of condo conversion. The alternative to paying the fee is to borrow an amount equal to the increase in value that converting to a condo would provide for the number of years it would take to win the lottery without paying a fee (i.e. number of years until unit has been in lottery for seven years).

2. Estimated Condominium Conversion Fee Revenue and Participation at Range of Average TIC Values

			Revenue assuming take up rates of			
Current TIC Value	B2 Fee	# Units Participating	100%	50%	30%	Note
$300,000	$20,000	0	-	-	-	
$400,000	$20,000	577	3,604,000	1,802,000	1,081,200	proposed B2 fee level
$500,000	$20,000	1857	24,644,000	12,322,000	7,393,200	
$300,000	$12,200	1857	15,032,840	7,516,420	4,509,852	revenue-maximizing B2 fee level
$400,000	$17,700	1857	21,809,940	10,904,970	6,542,982	
$500,000	$23,200	1857	28,587,040	14,293,520	8,576,112	

Key Observations

Revenue are highly dependent on assumptions, particularly the assumed current value of TICs, the fee level, and participation rate.

Exhibit B

Property Tax and Transfer Tax Estimates to General Fund Based on Incremental Value of Converting TIC to Condo

Number of Units Participating	Market/ Assessed Value - TIC	New Assessed Value - Condo	Incremental AV/ unit	Take Up Rate (% paying fee)	% to Sell After Conversion	Total Incremental Value of Condos Sold	Estimated Property Tax	Estimated Transfer Tax
							0.57%	0.75%
$500k TIC Value								
1,857	$500,000	$575,000	$75,000	100%	5%	*$6,963,750*	**$40,000**	**$50,000**
1,857	$500,000	$575,000	$75,000	50%	5%	*$3,481,875*	**$20,000**	**$30,000**
1,857	$500,000	$575,000	$75,000	30%	5%	*$2,089,125*	**$10,000**	**$20,000**
$400k TIC Value								
577	$400,000	$460,000	$60,000	100%	5%	*$1,731,000*	**$10,000**	**$10,000**
577	$400,000	$460,000	$60,000	50%	5%	*$865,500*	**$5,000**	**$6,000**
577	$400,000	$460,000	$60,000	30%	5%	*$519,300*	**$3,000**	**$4,000**

Key Assumptions

15% Value premium from converting TIC to condo; taaxes estimated on this incremental value only.

5% Annual Residential Turnover rate (based on annual average residential units sold from 1994 to 2011 (6,000) divided by the City's owner-occupied housing inventory (125,000 units)). Source: Paragon Real Estate Group (based on MLS data); Dataquick; US Census, 2010.

Key Observations

Tax revenues will only be realized when converted units are sold, which are based on historic turnover for all property types. To the extent that newly converted condos turnover faster, the potential tax revenue will be realized sooner.

120669

Youth Commission
City Hall ~ Room 345
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4532

(415) 554-6446
(415) 554-6140 FAX
www.sfgov.org/youth_commission

YOUTH COMMISSION

MEMORANDUM

TO: Honorable Mayor Edwin M. Lee
Honorable Members, Board of Supervisors

CC: Angela Calvillo, Clerk of the Board
Honorable Members, Board of Education
Richard Carranza, Superintendent, San Francisco Unified School District
Greg Suhr, Chief of Police
William P. Siffermann, Chief, Juvenile Probation Department
Maria Su, Director, Department of Children, Youth and their Families
Jason Elliott, Director of Legislative & Government Affairs, Mayor's Office
Nicole Wheaton, Commissions & Appointments, Mayor's Office

FROM: Youth Commission

DATE: Wednesday, February 27, 2013

RE: Four Youth Commission actions: Questions regarding BOS file no. 120669 [Subdivision Code - Condominium Conversion Impact Fee]; resolutions urging the City not to equip juvenile probation officers with firearms and police officers with Tasers; and resolution regarding City/school district partnership on federal Deferred Action program for undocumented youth

---

At our regular meeting Tuesday, February 19, 2013, the Youth Commission voted to take no position on BOS file no. 120669 [Subdivision Code - Condominium Conversion Impact Fee]. The Youth Commission urges the Board of Supervisors to consider the following three issues in the ongoing negotiations regarding this proposed legislation:

- The average household income of the owners of Tenancies in Common (TIC) who would be eligible for the condo conversion bypass and fee proposed in this ordinance;

- How the most vulnerable San Franciscans—especially young people, people of color, seniors, queers, single mothers, dependent children and low-income people in general—living in eligible TIC's could be impacted by this legislation (we wonder if the City could undertake a study of these issues, which could be called an "equity impact analysis"); and

- What the long term impact of this legislation will be on affordability of housing.

***

At this same meeting, moreover, the Youth Commission adopted resolution *1213—AL10 Urging the SFUSD to create a centralized process and facilitating the application process for students that are eligible for the Deferred Action for Childhood Arrivals (DACA) program and urging the Board of Supervisors and Mayor to work together with the SFUSD to support our undocumented students and transitionally aged youth.*

This resolution (attached) calls on the San Francisco Unified School District (SFUSD) to join with the City's Office of Civic Engagement and Immigrant Affairs (OCEIA) in publicizing the Deferred Action for Childhood Arrivals program, an Obama administration policy that provides the federal government with the discretion to defer deportation proceedings for undocumented young immigrants who meet certain qualifications. The resolution also asks the Mayor and the Board to do whatever possible to support our undocumented students and transitionally aged youth.

Please note that this resolution has already born fruit: many thanks to the SFUSD for already creating this centralized web resource for public school students who are eligible for Deferred Action!

***

In addition to this immigration-related resolution, the Youth Commission adopted two resolutions regarding criminal justice and law enforcement.

Resolution *1213—AL11 Urging the Mayor and the Board of Supervisors to urge the San Francisco Juvenile Probation Department not to equip probation officers in the Serious Offender Program unit with firearms* is meant as a contribution to a policy discussion that is currently underway in the City. Last December, San Francisco Chief Juvenile Probation Officer William P. Siffermann announced he was reviewing his department's safety protocols for juvenile probation officers and was considering revising these protocols to include the provision of firearms for certain juvenile probation officers. Chief Siffermann said at the January 9 meeting of the Juvenile Probation Commission that he plans to present revised protocols in April of 2013.

This resolution acknowledges the Chief's need to revise safety protocols given the new public safety climate. At the same time, the resolution expresses the Youth Commission's steadfast opposition to any potential protocols that include providing firearms for juvenile probation officers.

In turn, resolution *1213—AL12 Urging the Mayor and the Board of Supervisors to urge the San Francisco Police Department not to acquire stun weapons (Tasers) for police officers* draws on studies from Amnesty International and researchers at UCSF, as well as literature from the American Civil Liberties Union and the Lawyers Committee for Civil Rights, in urging the City Family not to move forward with the Police Chief's proposal to arm police officers with Tasers.

***

If you have any questions about these items or anything related to the Youth Commission, please don't hesitate to contact our office at (415) 554-6446 or your Youth Commissioner.

SAN FRANCISCO
CHAMBER OF COMMERCE

File 120669
Bos-11
4page

April 25, 2013

The Honorable David Chiu, President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room #244
San Francisco, CA 94102

RE: Oppose: File # 120669, Condo Conversion Impact Fee

Dear President Chiu;

The San Francisco Chamber of Commerce, representing over 1500 local businesses, opposes the current version of Supervisor Farrell's Condo Conversion Impact Fee legislation (File # 112669) that was approved by the Land Use Committee on April 22, 2013.

The Chamber supported Supervisor Farrell's earlier draft of the legislation because it achieved its intent to allow Tenancy-in-Common (TIC) owners a one-time opportunity to convert their units to condominiums, thereby extricating themselves from high interest rate loans and years in the conversion lottery. The earlier draft would have stabilized the housing market and grown the affordable housing trust fund while putting disposable cash in the hands of San Francisco residents to spend locally. This would have benefited individual homeowners and help strengthen San Francisco's economy.

The current version of Supervisor Farrell's legislation that will go before the full Board next month reduces and even eliminates many of the benefits the earlier draft provided. It imposes a 10 year moratorium on the conversion lottery, reduces the number of TIC owners who can participate in the bypass, and prevents anyone who purchased a TIC within the last year to participate. Further, it imposes rent control on newly-converted condominiums, which is in violation of state law.

The Chamber lauds Supervisor Farrell for attempting to do the right thing for TIC owners. We hope that you will continue to work with both homeowner and tenant activists to amend the current legislation into that which TIC owners, the full Board of Supervisors and the Chamber can support.

Sincerely,

Jim Lazarus
Senior Vice President of Public Policy

cc: Clerk of the BOS; Distribute to all Supervisors

BOS-11

File 120669

cpage

D5 Action
2001 Oak Street
San Francisco CA 94117
415.752.8520 p **info@D5Action.org** **415.418.6103 f**

April 24, 2013

Board of Supervisors RE: TIC-Condo Legislation

Dear Supervisors:

D5 Action opposes the Farrell legislation as an attack on Rent Control. Please vote against it.

Cordially,

Teresa M. Welborn
www.D5Action.org

Miller, Alisa

From: Board of Supervisors
Sent: Tuesday, April 23, 2013 5:48 PM
To: BOS-Supervisors; Miller, Alisa
Subject: File 120669: Condo Conversion Legislation

From: qtbird@gmail.com [mailto:qtbird@gmail.com] **On Behalf Of** Kathy Mitchell
Sent: Tuesday, April 23, 2013 3:58 PM
To: Farrell, Mark; Wiener, Scott; Avalos, John; Breed, London; Chiu, David; Cohen, Malia; Kim, Jane; Mar, Eric (BOS); Tang, Katy; Yee, Norman (BOS)
Cc: Board of Supervisors
Subject: Condo Conversion Legislation

Supervisors:

Please remove or revise the lawsuit suspension amendment from the condo conversion legislation.

I'm an owner occupant in a 5 unit TIC. We are prepared to apply for conversion the first day possible. We estimate our expenses will be $20,000 - $30,000 to start the application process. This does NOT count the bypass fee.

These expenses, paid to city agencies, attorneys, surveyors and other professionals will NOT be refunded to us in the event the legislation is challenged in court.

We are working families who cannot afford to throw this money out.

Please remove or somehow restructure this single portion of the legislation so that participating will not put our families at further risk and that we are able to actually benefit.

Thanks,
Kathy Mitchell
District 3

120669

Dear District Supervisors,

I urge you to reject the proposed Condominium Conversion Ordinance introduced by Supervisors Mark Farrell and Scott Wiener, file no. 120669.

Converting a Tenancy in Common unit to a condominium does not create new housing. It only converts a unit from one type of ownership to another, and makes it easier to sell. And the proposed fees for converting a TIC to a condo do not come close to providing the needed funds to build replacement rental units. Finally, the proposed ordinance endangers San Francisco's stock of rent-controlled units. By suspending the city's annual cap on condo conversions, the legislation would result in a huge increase in evictions and conversions as the real estate industry realizes that San Francisco no longer will strictly regulate condo conversions. This is very bad news in the midst of the current dot com boom and at a time of record high rents.

I fear that this will increase the demand for low-income housing, such as the building I live in. The organization that runs my housing already has a wait list of over 9,700 people. This is already an extremely competitive process with no guarantees of securing housing. What will happen once we lose such a large number of many controlled apartments?

Instead of enacting this ordinance, the City of San Francisco should pursue policies that protect rent stabilization and rent-stabilized units, which are a housing type that can't be expanded (by law), and support the construction of more affordable housing, including family-size units.

4/15/2013
Total of 107 petitions
were received in Committee

File No. 120669
4/15/13 Received
in Committee

Good afternoon Supervisors.

My name is Alam Ara Begum. I work as a desk clerk at the McAllister Hotel, operated by Conard House, a non-profit. I am originally from the great and Independent, Bangladesh, where people always use their voice for civil rights.

I am here in support of the tenants of San Francisco. This is a very beautiful and rich city. The best thing about San Francisco is that there is a great diversity of cultures, and people are able to live here safely with dignity.

People here are very kind, friendly, and willing to help one another; but San Francisco is becoming less affordable for many people, because it is very expensive to live in this city. We must join together and support affordable housing with policies like rent controlled units.

Converting a TIC into a condominium encourages the evictions in rent-controlled housing, and could lead to more homeless people and higher competition for affordable housing.

Everyone deserves to have a home, and we support people's needs.

Bangladesh is a very small country, populated by people who are mostly poor. People sometimes become homeless after natural disasters, such as floods or tornados, but no government law would cause people to become homeless.

America is the most affluent country in the world. ~~My family an~~ we, are very happy and lucky. We had an opportunity to come here from different countrys and make our life better. However, I was shocked to see so many homeless people, living on dirty streets in San Francisco. If we support condo conversion, I fear that more people will be forced out on to the streets. We must not convert TIC housing we already have. Wouldn't it be a better idea to convert some of the vacant buiidings here in San Francisco into affordable housing??

As district Supervisors for San Francisco we elected you to take a responsibility to support us in creating a better life for our families. Please do not support the condo-conversion legislation, and instead utilize your authority to help create more affordable housing for our people who need it.

Thank you

Begum
Alam Ara Begum

650 Eddy St
AWA # 504
[illegible] CA - 94109

415-864-0705

Miller, Alisa

From: Board of Supervisors
Sent: Friday, April 12, 2013 1:04 PM
To: Miller, Alisa
Subject: File 120669: TIC/CONDO CONVERSIONS

From: terrrie frye [mailto:grannygear1@yahoo.com]
Sent: Thursday, April 11, 2013 12:37 PM
To: Board of Supervisors
Cc: Board of Supervisors; Yee, Norman (BOS); Campos, David; davidcamposesq@yahoo.com; Chiu, David; davidchiu70@gmail.com; emailericmar@gmail.com; Mar, Eric (DPH); Kim, Jane; avalos_john@hotmail.com; Avalos, John; Cohen, Malia; Farrell, Mark; Wiener, Scott; scott.wiener@yahoo.com; Breed, London; Tang, Katy
Subject: TIC/CONDO CONVERSIONS

Dear Supervisor,

Please don't let this Wiener/Farrell legislation pass. The soul of San Francisco is being destroyed by developers and speculators.

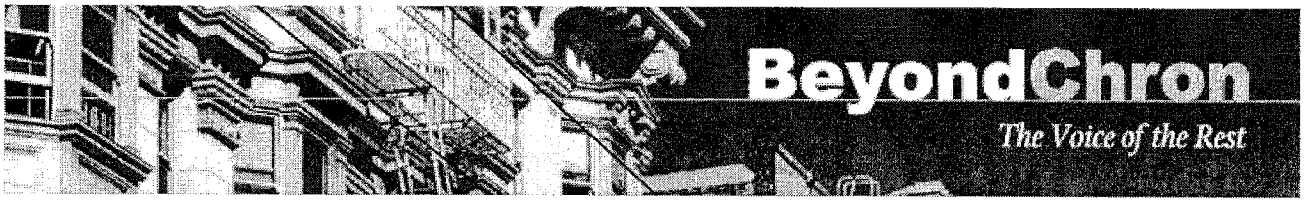
Please read this and then tell us again how these condo conversions are not evicting long-term tenants!!!

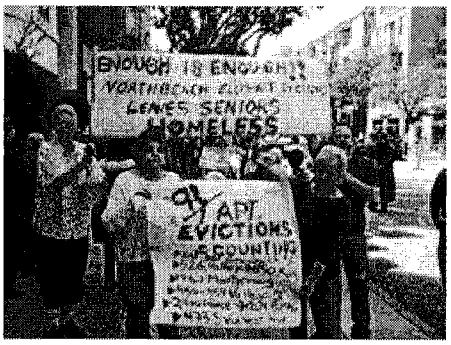
http://beyondchron.org/news/index.php?itemid=11208

Sincerely,

Terrrie Frye

The light at the end of the tunnel may be an oncoming train.





Ellis Eviction Notice Served on 97-Year Old Tenant As Speculators Seek Weaker Condo Law

by Randy Shaw, Apr. 11, 2013

NT

On April 15, the Board of Supervisors Land Use Committee again considers legislation to overturn San Francisco's thirty year old condo conversion law. On April 8, 97 year old Mary Phillips became the latest victim of this proposal, receiving an Ellis Act eviction notice for her apartment at 55 Dolores where she has lived since 1976. The building is owned by Urban Green Investments, which has used evictions and tenant buyouts under pressure to vacate rental units and replace them with TIC's (it is also harassing longtime tenants of a nearby building at 49-53 Guerrero). If Mayor Lee and the Supervisors needed further evidence before acting to deter tenant displacement for future condo conversions, the targeting of Mary Phillips is it.

As tenant advocates predicted, the prospect of San Francisco allowing unlimited condo conversions now and potentially into the future has spawned a new wave of speculator evictions. An attorney for the Tenderloin Housing Clinic, which I head and is the publisher of BeyondChron, was told by a tenant facing an Ellis Act eviction that her landlord said that the Wiener-Farrell condo conversion measure showed that times were changing in San Francisco and that restrictions on conversions would soon be a thing of the past.

That's why tenant advocates have strongly fought the Wiener-Farrell proposal. San Francisco rent control laws are preempted by the Ellis Act, but the city can create major disincentives. The Wiener-Farrell measure does exactly the opposite, encouraging the evictions of 97 year old Mary Phillips and other elderly tenants.

Urban Green=SF Nightmare

The ownership group behind much of this new wave of Ellis evictions and tenant harrassment has chosen the environmentally conscious name of "Urban Green Investments" to cloak their destructive treatment of human beings. In a recent press release, its CEO David McCloskey touts how his firm "is giving back

College Grads? Your Definitive Guide - Apr 09

The Winner-Take-All Economy: A Black and White Story - Apr 09

Labor by the Bay: Social Security cuts, Fast food strikes, Lettuce Wars, Safeway... - Apr 09

Groundhog Day in Obama Land - Apr 08

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Front Page

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Book Review Thursday

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Events

Letters to the Editor

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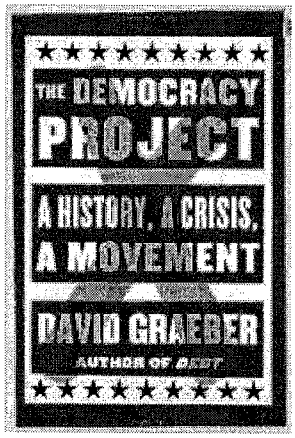
Book Reviews



Updated Thursdays

to the community through employee volunteerism."

But nobody's fooled. Urban Green has no problem making money by wrecking the lives of the most vulnerable, and if it really wanted to "give back" to San Francisco, it would change its business practices or get out of town.

The Tenderloin Housing Clinic and the Chinatown Community Development Center have been working to help tenants facing Urban Green evictions across the city. This includes a 14-unit property filled with longterm tenants at 566 Lombard. The three unit building at 49-53 Guerrero where Urban Green has been trying to harass tenants to move includes elderly Chinese American immigrants who have lived at the property for over thirty years.

Gentrifying Supervisorial District 3 is a primary Urban Green goal. It has sought to and/ or displaced tenants at an eight unit building 1330 Mason Street and a 12-unit property at 943 Jackson Street. North Beach and Chinatown are prime targets for Urban Green because they include longterm tenants paying well below market rents; these properties are attractive to speculators lacking the moral compass that leads most investors to avoid such properties.

Urban Green uses agent Michael Karpowicz to contact tenants and encourage them to take money to move. The implicit threat is the issuance of a formal Ellis eviction notice. Tenants describe Karpowicz's repeated contacts as harassment, and it often works. This enables Urban Green to often avoid filing Ellis Act notices while still vacating the property.

Urban Green joins other San Francisco speculator groups over the past decades that use quick and dirty schemes to make money through displacement and tenant hardship. They may succeed where others have failed, though their leadership may become uncomfortable when the going gets hotter.

Moment of Truth

San Francisco faces a moment of truth. Our elected officials must decide to either facilitate Urban Green's displacement agenda, or reject it.

Tenant advocates recognize the needs of current TIC owners, but oppose legislation that eliminates three decades of tenant protections and incentivizes tenant displacement. Urban Green's aggressive actions make it even more critical that a strong disincentive for future condo conversions is part of any legislation assisting those currently eligible for the condo lottery.

When the new condo law was introduced earlier this year, speculators saw a clear path to passage. But their ride has become rockier. A much better informed group of Supervisors is examining how the city should respond to the overheated housing market, which should ultimately result in legislation that increases tenant protections against future evictions and harassment rather than encouraging such actions.

Miller, Alisa

From: Board of Supervisors
Sent: Tuesday, April 09, 2013 12:15 PM
To: BOS-Supervisors; Miller, Alisa
Subject: File 120669: Condo Conversion

From: Cat Bell [mailto:bellacatus@yahoo.com]
Sent: Sunday, April 07, 2013 10:24 PM
To: Board of Supervisors
Cc: Breed, London
Subject: Condo Conversion

I oppose sweeping changes to Land Use ordinances to benefit a few without considerable public hearings, input, and discussion.

Sincerely,
Cathy Bellin
516 Clayton Street
San Francisco, CA

120669

Miller, Alisa

From: Board of Supervisors
Sent: Friday, February 01, 2013 10:30 AM
To: Miller, Alisa
Subject: File 120669: TIC-Condo Conversions

From: Lee Goodin [mailto:lgoodin1@mindspring.com]
Sent: Tuesday, January 29, 2013 2:45 PM
To: Board of Supervisors; Chiu, David; Campos, David; Cohen, Malia; Farrell, Mark; Wiener, Scott; Kim, Jane; Breed, London; Mar, Eric (BOS); Avalos, John; Chu, Carmen; Yee, Norman (BOS); letters
Cc: CW Nevius; matierandross
Subject: TIC-Condo Conversions

Supervisors and Editor,

When we decided to move back to the city ten years ago, we looked at a number of TICs (tenants-in-common) while house-hunting. All were owner-occupied by young couples with young children. They were stuck with joint mortgages with the other owner(s)/occupier(s) – loans generally with higher interest rates than for condos. These are the young folks the city wants to keep in SF – but will not let them fully pursue the American dream of homeownership. Can someone please tell me just why the tenants' union has an iron in this fire? By the way, a $20,000 conversion fee is awfully steep for young families with kids. And, oh yeah, we bought a condo in North Beach.

Lee Goodin

600 Chestnut Street #408

SF CA 94133

415 346-4335

lgoodin1@mindspring.com

120669

Miller, Alisa

From: joseph chmielewski [jcin506@yahoo.com]
Sent: Monday, January 28, 2013 12:11 PM
To: Chiu, David
Cc: Miller, Alisa
Subject: No on Condo Bypass Legislation

Jan 28, 2013

Dear Supervisor Kim and Chiu,

Please vote to table or otherwise kill the Ofarrell/Wiener Condo Bypass Legislation at today's Land Use Committee meeting.

As a district 6 voter and San Francisco tenant for 31 years I have seen how the whole TIC/Condo conversion dynamic has permantly removed rent-controled housing from the finite stock that exists. This housing is crucial for people like me and thousdands of other low -- moderate income earners making $35k a year or more. Income earners like me can't qualify for the low-income housing this legislation will create money for. For moderate income earners like me it is crucial that the finite stock of rent-controlled housing remain intact.

Lifetime leases are a poor substitue for rent controled buildings. Are lifetime leases legal?

Please refer to emails I sent both of you over the weekend, and again please vote to table or otherwise kill this legislation.

Thank you.

Sincerely,

Joe Chmielewski
50 Golden Gate Ave. #506
SF, 94102
415.440-3152
jcin506@yahoo.com

January 24, 2013

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

Re: File #120669 Condominium Conversion Impact Fee
Public Testimony

Dear Supervisors Wiener and Kim, President Chiu and Ms. Cavillo,

I was born and raised in San Francisco and have owned a home in this City for many years. I am in favor of the Condominium Conversion Impact Fee and ask that you support this proposal. I ask this for the following reasons:

- The Proposal will offer a solution to the lottery backlog. I was very much surprised to learn that many Tenancy-In-Common Owners have participated in the condo conversion lottery for more than ten years and have had no success.
- The Proposal will allow Tenancy-In-Common owners the opportunity to refinance into fixed 30 year mortgages with predictable payments. I understand that financing or refinancing for TIC's is extremely difficult and that the interest rates are high on such loans. However, the rate for condos is much lower. This will undoubtedly prevent foreclosures and preserve our neighborhoods.

I ask that you support this legislation.

Respectfully:

Arlene Filippi
42 Wood Street
San Francisco, CA 94118

January 23, 2013

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

RE: File #120669 Condominium Conversion Impact Fee
Public Testimony

Dear Supervisors Wiener and Kim, President Chiu and Ms Cavillo,

As a member of an owner-occupied TIC group, I urge you to vote in support of the Condominium Conversion Impact Fee. This legislation will allow TIC owners, who are often entry level buyers in San Francisco, the chance to refinance into fixed 30 year mortgages with stable predictable payments instead of short-term adjustable mortgages that are the only option for financing TICs. This will allow us to keep our properties, prevent foreclosures and stabilize our neighborhoods.
The proposed fees will help to finance low income housing and tenents will be protected. This is a win-win for everyone in San Francisco. Please support this important piece of legislation.

Thank you,

Maria V. Rivero

January 23, 2013

Supervisor Scott Wiener
Supervisor Jane Kim
President David Chiu
Angela Calvillo, Clerk of the BOS
Alisa Miller, Clear of Land Use and Economic Development Committee

RE: File #120669 Condominium Conversion Impact Fee
Public Testimony

Dear Supervisors Wiener and Kim, President Chiu and Ms Cavillo,

As a member of an owner-occupied TIC group, I urge you to vote in support of the Condominium Conversion Impact Fee. This legislation will allow TIC owners, who are often entry level buyers in San Francisco, the chance to refinance into fixed 30 year mortgages with stable predictable payments instead of short-term adjustable mortgages that are the only option for financing TICs. This will allow us to keep our properties, prevent foreclosures and stabilize our neighborhoods.
The proposed fees will help to finance low income housing and tenants will be protected. This is a win-win for everyone in San Francisco. Please support this important piece of legislation.

Thank you,
Lois Wander

Lois Wander

120669
BOS-11

9/11/12 Received via 5:34pm email

SIERRA CLUB
FOUNDED 1892

San Francisco Group, Sierra Club,
85 Second Street, 2nd Floor, Box SFG, San Francisco CA 94105-3441

September 9, 2012

Dear San Francisco Board of Supervisors:

The Sierra Club opposes the proposed Condominium Conversion Ordinance introduced by Supervisors Mark Farrell and Scott Wiener (File No. 120669) and urges its rejection by the San Francisco Board of Supervisors. The primary reasons for the Sierra Club's opposition are as follows:

- Converting a Tenancy in Common unit ("TIC") to a condominium ("condo") doesn't create new housing. It only converts a unit from one type of ownership to another, and makes it easier to sell.
- The proposed fees for converting a TIC to a condo ($4,000 to $20,000) do not come close to providing the needed funds to build replacement rental units.
- The proposed ordinance endangers San Francisco's stock of rent-stabilized (commonly referred to as rent-controlled) units. While the ordinance does include a provision for a lifetime lease for existing tenants, those leases would leave tenants no less vulnerable to eviction, and moreover, once that lease expires and the condo is sold, another unit of housing with rent-stabilization protections is lost forever.

Instead of enacting this ordinance, the Sierra Club believes that the City of San Francisco should pursue policies that:

- Protect rent stabilization and rent-stabilized units, which are a housing type that can't be expanded (by law).
- Support the construction of more affordable housing, including family-size units.

We urge the Board to reject this proposal and instead look for better solutions to the challenge of providing of housing for San Francisco families.

Yours truly,

Rebecca Evans

Chair

cc: Mayor Edwin Lee

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

NOTICE OF PUBLIC HEARING

LAND USE & ECONOMIC DEVELOPMENT COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN THAT the Land Use and Economic Development Committee will hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard:

Date: **Monday, January 28, 2013**

Time: **1:00 p.m.**

Location: **Legislative Chamber, Room 250, located at City Hall**
1 Dr. Carlton B. Goodlett Place, San Francisco, CA

Subject: **File No. 120669.** Ordinance amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for, but not being selected or participating in, the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and adopting environmental findings.

If the legislation passes, a one-time fee on condominium conversions would be imposed to allow buildings to by-pass the 2013 lottery if they either participated, but lost, in the 2012 condominium lottery or could have qualified for the 2012 lottery, but elected not to do so. The fee would be $20,000 per unit, and for buildings that participated in the 2012 lottery, the fee would reduced by 20% for every year before 2012 that the building participated in the lottery. The fee revenues would be placed in the Citywide Affordable Housing Fund.

In accordance with Section 67.7-1 of the San Francisco Administrative Code, persons who are unable to attend the hearing on this matter may submit written comments to the City prior to the time the hearing begins. These comments will be made a part of the official public record and shall be brought to the attention of the members of the Committee. Written comments should be addressed to Angela Calvillo, Clerk of the Board, Room 244, City Hall, 1 Dr. Carlton Goodlett Place, San Francisco CA 94102. Information relating to the proposed fee is available in the Office of the Clerk of the Board and agenda information relating to this matter will be available for public review on Friday, January 25, 2013.

Angela Calvillo, Clerk of the Board

DATED: January 9, 2013
PUBLISHED: January 14 & 21, 2013

Miller, Alisa

From: glenda_sobrique@dailyjournal.com
Sent: Wednesday, January 09, 2013 1:32 PM
To: Miller, Alisa
Subject: Confirmation of Order 2431361 for AM - File 120669 Fee Ad 01.28.13

Dear Customer:

The order listed below has been received and processed. If you have any questions regarding this order, please contact your ad coordinator or the phone number listed below.

Customer Account Number: 120503
Type of Notice : GPN - GOVT PUBLIC NOTICE
Ad Description : AM - File 120669 Fee Ad 01.28.13
Our Order Number : 2431361
Newspaper : SAN FRANCISCO CHRONICLE-CITY&CO. 10%
Publication Date(s) : 01/14/2013,01/21/2013

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Alisa Miller
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1 DR CARLTON B GOODLETT PL #244
SAN FRANCISCO, CA 94102

CNS 2431361

COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE

Ad Description AM - File 120669 Fee Ad 01.28.13

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO CHRONICLE. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the Clerk of the Board. Publication date(s) for this notice is (are):

01/14/2013 , 01/21/2013

NOTICE OF PUBLIC HEARING
LAND USE & ECONOMIC DEVELOPMENT COMMITTEE
SAN FRANCISCO BOARD OF SUPERVISORS
JANUARY 28,2 013 - 1:00 PM
LEGISLATIVE CHAMBER, ROOM 250, CITY HALL
1 DR.C ARLTON B.G OODLETT PL, SAN FRANCISCO,C A

NOTICE IS HEREBY GIVEN THAT the Land Use and EconomicD evelopment Committee will a hold a public hearing to consider the following proposal and said public hearing will be held as follows, at which time all interested parties may attend and be heard. **File No. 120669.** Ordinance amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected orp articipating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and adopting environmental findings.

If the legislation passes, a one-time fee on condominium conversions would be imposed to allow buildings to by-pass the 2013 lottery if they either participated, but lost, In the 2012 condominium lottery or couldh ave qualified for the 2012 lottery, but elected not to do so. The fee would be $20,000 per unit, and for buildings that participated in the 2012 lottery, the fee would reduced by 20% for every year before 2012 that the building participated in the lottery. The fee revenues would be placed in the Citywide Affordable Housing Fund.

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Angela Calvillo,C lerk oft he Board

BOARD of SUPERVISORS

City Hall
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: Youth Commission
Attn: Mario Yedidia, Director

FROM: Alisa Miller, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: February 14, 2013

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed ordinance, introduced by Supervisor Farrell on June 12, 2013:

File No. 120669

Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion impact fee applicable to buildings participating but not being selected in the 2012 or 2013 condominium conversion lotteries only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and adopting environmental findings.

This matter will be heard in Committee on February 25, 2013 at 10:00 a.m. in the Legislative Chamber.

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

BOARD of SUPERVISORS

City Hall
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TDD/TTY No. 554-5227

June 20, 2012

File No. 120669

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

Dear Mr. Wycko:

On June 12, 2012, Supervisor Farrell introduced the following proposed legislation:

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

This legislation is being transmitted to you for environmental review, pursuant to Planning Code Section 306.7(c).

Angela Calvillo, Clerk of the Board

By: Alisa Miller, Committee Clerk
Land Use & Economic Development Committee

Attachment

c: Monica Pereira, Environmental Planning
Joy Navarrete, Environmental Planning

BOARD of SUPERVISORS

City Hall
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: Ben Rosenfield, Controller
John Rahaim, Director, Planning Department
Vivian Day, Director, Department of Building Inspection
Mohammed Nuru, Director, Department of Public Works

FROM: Alisa Miller, Clerk, Land Use and Economic Development Committee
Board of Supervisors

DATE: June 20, 2012

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Economic Development Committee has received the following proposed legislation, introduced by Supervisor Farrell on June 12, 2012, which is being forwarded to your department for review.

File No. 120669

Ordinance: 1) amending the Subdivision Code by adding Section 1396.4 to adopt a condominium conversion impact fee applicable to buildings qualifying for but not being selected or participating in the 2012 condominium conversion lottery only, subject to specified requirements, including lifetime leases for non-purchasing tenants; and 2) adopting environmental findings.

Please note, on Page 1, Lines 19-20, there is a reference to a "report on the fees." If your department is responsible for providing this report, please forward it to me at your earliest convenience.

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

c: Carolyn Jayin, Department of Building Inspection

File No. 120669
4/15/13 Amendments
by Supervisor Chiu

Summary of Amendment of the Whole
Condominium Conversions
April 15, 2013

Creation of Expedited Conversion Process

- Participants in 2012 and/or 2013 lottery would be able to convert by paying the $20,000 condominium conversion fee (with discounts for years in lottery) over a 2-year period.
    - Lottery participants who have been owners for 5 years or more would be eligible for conversion during the first year of the expedited program.
    - All other lottery participants would be eligible for conversion in the second year of the expedited program.
- Beginning with the third year of the expedited program, and continuing through year six, any TIC as of April 15, 2013 that meets existing numerical owner occupancy requirements (1 owner occupant for 2-4 unit buildings; 3 owner occupants for 5-6 unit buildings) would be eligible for conversion once they meet a six-year owner occupancy requirement.

Suspension of the Lottery

- The lottery shall be suspended for a minimum of ten years.
- The maximum period of suspension will be the number of converted units divided by 200 (the current annual number under the lottery).
- If the City produces affordable housing units beyond both the 300 per year envisioned under 2012's Proposition C (Housing Trust Fund) and the number of converted units, the suspension could be closer to 10 years than the maximum described above.
    - For example, if 2,400 units convert under the expedited process, the maximum length of the suspension of the lottery would be 12 years. But if 5,400 affordable units (3,000 Prop C plus 2,400 replacement units) were built in 10 years, the lottery would resume.

Adjustments to Future Lottery

- Once the lottery resumes, only buildings with 4 units or less would be eligible (5 and 6 unit buildings are currently eligible).
- The owner occupancy requirements would increase to 2 owner occupants for 3-unit buildings and 3 owner occupants for 4 unit buildings.

Lifetime Leases

- Requires written and recorded lifetime leases and extents the leases to disabled and catastrophically ill household members.

Deferral of Fee Payment

- Provides for an applicant to request deferment of fee payment if under 120 percent of Area Median Income.

Public Review of Conversion Applications

- Strengthens public review of conversion applications by providing for possibility of a Department of Public Works hearing.

Suspension with Lawsuit

- If a lawsuit is filed against the legislation, the expedited conversion process is suspended until a final legal determination is made.

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

☐ 1. For reference to Committee: _____

An ordinance, resolution, motion, or charter amendment.

☐ 2. Request for next printed agenda without reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee: _____

☐ 4. Request for letter beginning "Supervisor _____ inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. _____ from Committee.

☐ 7. Budget Analyst request (attach written motion).

☒ 8. Substitute Legislation File No. 120669

☐ 9. Request for Closed Session (attach written motion).

☐ 10. Board to Sit as A Committee of the Whole.

☐ 11. Question(s) submitted for Mayoral Appearance before the BOS on _____

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Supervisors Farrell, Wiener

Subject:

Condominium Conversion Impact Fee

The text is listed below or attached:

Attached

Signature of Sponsoring Supervisor: _____

For Clerk's Use Only:

Print Form

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

☒ 1. For reference to Committee: Land Use & Economic Development

An ordinance, resolution, motion, or charter amendment.

☐ 2. Request for next printed agenda without reference to Committee.

☐ 3. Request for hearing on a subject matter at Committee:

☐ 4. Request for letter beginning "Supervisor inquires"

☐ 5. City Attorney request.

☐ 6. Call File No. from Committee.

☐ 7. Budget Analyst request (attach written motion).

☐ 8. Substitute Legislation File No.

☐ 9. Request for Closed Session (attach written motion).

☐ 10. Board to Sit as A Committee of the Whole.

☐ 11. Question(s) submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.

Sponsor(s):

Supervisors Farrell and Wiener

Subject:

Subdivision Code - Condominium Conversion Impact Fee

The text is listed below or attached:

Attached

Signature of Sponsoring Supervisor: Mark S. Farrell

For Clerk's Use Only: