



March 19, 2024

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

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

Dear Supervisor Ronen,

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

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

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

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

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

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

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

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

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

Sincerely,

Mitchell Omerberg
Director