AMENDED IN COMMITTEE
7/13/16

FILE NO. 160552

LEGISLATIVE DIGEST

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

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

Existing Law

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

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

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

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

Amendments to Existing Law

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

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

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

Background Information

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

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