

File No. 220341 Committee Item No. 3
 Board Item No. 12

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Land Use and Transportation Committee Date May 16, 2022

Board of Supervisors Meeting Date June 7, 2022

Cmte Board

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

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|-------------------------------------|----------------------------|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>BLA Report 031522</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Referral FYI 040822</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Erica Major Date May 12, 2022

Completed by: Erica Major Date May 16, 2022

1 [Administrative Code - Ellis Act Evictions]

2

3 **Ordinance amending the Administrative Code to clarify that the date a property is**
4 **withdrawn under the Ellis Act is based on the latest date that any tenancy in the**
5 **property is terminated; to increase the relocation payments that owners must pay to**
6 **tenants when evicting under the Ellis Act; to require that an owner who returns a unit**
7 **to the rental market following an Ellis Act eviction must return the entire property to the**
8 **market, with exceptions for certain owner-occupied units; to clarify that paying punitive**
9 **damages does not extinguish an owner's obligation to re-offer the unit upon re-rental**
10 **to the displaced tenants; and to delete inoperative Code sections.**

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

15

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

17

18 Section 1. Findings.

19 (a) The Ellis Act, California Government Code Sections 7060, et seq., gives rental
20 property owners the right to exit the rental housing business, but also allows local
21 governments to place certain conditions and restrictions on landlords who evict tenants in
22 order to exit the market. San Francisco has enacted procedures that owners must follow if
23 they are going to evict tenants to exit the rental housing business. In 2019, the California
24 Legislature adopted Assembly Bill 1399, to clarify the existing obligations of owners who have
25 performed Ellis Act evictions and to clarify the ability of local governments to impose certain

1 further obligations on such owners. This ordinance is intended to incorporate those changes
2 into the City’s Rent Ordinance, Administrative Code Chapter 37, to the maximum extent
3 authorized by and consistent with Assembly Bill 1399.

4 (b) This ordinance also adjusts the relocation payments that owners must pay to
5 tenants who they are evicting under the Ellis Act. The Ellis Act allows local governments to
6 mitigate the adverse impacts experienced by persons displaced by Ellis Act evictions, and
7 San Francisco has long required owners to provide their tenants a relocation payment. But
8 tenants report that these amounts do not cover many of the adverse impacts they experience,
9 and on March 15, 2022, the City’s Budget and Legislative Analyst issued a report that studied
10 these impacts and verified these claims. The report calculates that relocation payments as
11 calculated under existing law do not cover many tenants’ moving costs, and identifies
12 additional adverse impacts that the existing relocation payments may not cover. A copy of the
13 report is on file with the Clerk of the Board of Supervisors in File No. 220341. Based on the
14 experience of tenants and the Budget and Legislative Analyst report, the Board of Supervisors
15 finds that an increase to the existing relocation payments is appropriate.

16
17 Section 2. Chapter 37 of the Administrative Code is hereby amended by revising
18 Section 37.9A, to read as follows:

19 **SEC. 37.9A. TENANT RIGHTS IN CERTAIN DISPLACEMENTS UNDER SECTION**
20 **37.9(a)(13).**

21 This Section 37.9A applies to certain tenant displacements under Section
22 37.9(a)(13), as specified.

23 (a) **Rent Allowed.**

24 (1) Except as provided in Section 37.9A(a)(2) below, *for all tenancies commenced*
25 *during the time periods specified in Subsection (a)(1)(A), the rental units, ~~any rental unit which a~~*

1 ~~tenant vacates after receiving a notice to quit relying on Section 37.9(a)(13) (withdrawal of rental units~~
2 ~~from rent or lease under the Ellis Act, California Government Code Sections 7060 et seq.),~~ if again
3 offered for rent or lease, must be offered and rented or leased at a rent not greater than the
4 lawful rent in effect at the time the notice of intent to withdraw rental units is filed with the
5 Board, plus annual rent increases available under this Chapter 37.

6 (A) The provisions of Section 37.9A(a)(1) apply to all tenancies commenced
7 during either of the following time periods:

8 (i) The five-year period after a notice of intent to withdraw the rental units is
9 filed with the Board, whether or not the notice of intent is rescinded or the withdrawal of the
10 units is completed pursuant to that notice;

11 (ii) The five-year period after the rental units are withdrawn.

12 * * * *

13 (b) **Treatment of Replacement Units.** If one or more of the units ~~covered by Subsection~~
14 ~~(a)~~ is demolished, and one or more new units qualifying as newly constructed rental units ~~under~~
15 ~~this Chapter but for the date on which they first receive a certificate of final completion and occupancy~~
16 are constructed on the same property, and offered for rent or lease within five years of the
17 date the accommodations were withdrawn from rent or lease ~~last of the original units became vacant,~~
18 the newly constructed units shall be offered at rents not greater than those reasonably
19 calculated to produce a fair and reasonable return on the newly constructed units,
20 notwithstanding Section 37.3(g) or any other provision of this Chapter 37 to the contrary. The
21 provisions of this Chapter 37 shall thereafter apply. The Board shall adopt rules for
22 determining the rents necessary to provide a fair and reasonable return.

23 (c) **Rights to Re-Rent.** Any owner who again offers for rent or lease any unit after
24 service of a notice to quit under Section 37.9(a)(13) ~~covered by Subsection (a)~~ shall first offer ~~the~~ all

1 the units within the accommodations for rent or lease ~~to the tenants or lessees displaced from the unit~~
2 as follows:

3 * * * *

4 (2) Notwithstanding Subsection (c)(1), if the unit is offered for rent or lease within
5 10 years of withdrawal, the owner shall notify the Rent Board in writing of the intention to re-
6 rent the unit and make an offer to the tenant or lessee whenever the tenant or lessee requests
7 the offer in writing within 30 days after the owner has notified the City of an intention to re-rent
8 the unit. If the unit is offered for rent or lease more than two years after the date the unit was
9 withdrawn from rent or lease, the owner shall be liable to any tenant or lessee who was
10 displaced for failure to comply with this Subsection (c)(2); for punitive damages in an amount
11 which does not exceed the contract rent for six months, and the payment of these damages shall
12 not be construed to extinguish the owner's obligation to comply with this Subsection (c)(2).

13 * * * *

14 (5) Commencing July 1, 2022, or on the effective date of the ordinance in Board of
15 Supervisors File No. 220341 enacting this Subsection (c)(5), whichever is later, an owner who re-rents
16 a unit within an accommodations during the time period specified in Subsection (c)(2) must offer all the
17 units within the accommodations for rent, and may not decline to make a written re-rental offer to any
18 tenant or lessee who occupied a unit when the owner gave the Rent Board notice of its intent to
19 withdraw the accommodations in the manner and within the time frame specified in Section 37.9A(c).
20 But the requirements of this Subsection (c)(5) shall not apply to: (i) a unit that was the principal place
21 of residence of any owner or owner's family member at the time of withdrawal, provided that it
22 continues to be that person's or those persons' principal place of residence when accommodations are
23 returned to the rental market as provided in this Subsection (c)(5); or (ii) a unit that is the principal
24 place of residence of an owner when the accommodations are returned to the rental market, if it is the
25 owner's principal place of residence, at the time of return to the rental market, as provided in this

1 Subsection (c)(5). If the owner vacates the unit within 10 years from the date of withdrawal, the owner
2 shall, within 30 days of vacating the unit, offer to re-rent if required under this Subsection (c)(5).

3 * * * *

4 **(e) Relocation Payments to Tenants.**

5 ~~— (1) Before August 10, 2004, Low Income, Elderly or Disabled. Where a landlord seeks~~
6 ~~eviction based upon Section 37.9(a)(13), and the notice of intent to withdraw rental units was filed with~~
7 ~~the Board before August 10, 2004, the relocation payments described in this Subsection 37.9A (e)(1)~~
8 ~~shall be limited to tenants who are members of lower income households, who are elderly, or who are~~
9 ~~disabled, as defined below.~~

10 ~~— (A) Tenants who are members of lower income households, as defined by Section~~
11 ~~50079.5 of the California Health and Safety Code, and who receive a notice to quit based upon Section~~
12 ~~37.9(a)(13), in addition to all rights under any other provisions of law, shall be entitled to receive~~
13 ~~\$4,500, \$2,250 of which shall be paid within fifteen (15) calendar days of the landlord's receipt of~~
14 ~~written notice from the tenants of their entitlement to the relocation payment, and \$2,250 of which shall~~
15 ~~be paid when the tenants vacate the unit.~~

16 ~~— (B) With respect to Subsection 37.9A(e)(1)(A), the Mayor's Office of Housing or its~~
17 ~~successor agency shall annually determine the income limits for lower income households, adjusted for~~
18 ~~household size.~~

19 ~~— (C) Notwithstanding Subsection 37.9A(e)(1)(A), and irrespective of the size of the unit,~~
20 ~~any tenant who receives a notice to quit under Section 37.9(a)(13) and who, at the time such notice is~~
21 ~~served, is 62 years of age or older, or who is disabled within the meaning of Section 12955.3 of the~~
22 ~~California Government Code, shall be entitled to receive \$3,000, \$1,500 of which shall be paid within~~
23 ~~fifteen (15) calendar days of the landlord's receipt of written notice from the tenant of entitlement to the~~
24 ~~relocation payment, and \$1,500 of which shall be paid when the tenant vacates the unit.~~

1 ~~—(D) The payments due pursuant to this Subsection 37.9A(e)(1) for any unit which is~~
2 ~~occupied by more than one tenant shall be divided equally among all the occupying tenants, excluding~~
3 ~~those tenants who are separately entitled to payments under Subsection 37.9A(e)(1)(C) above.~~

4 ~~—(2) On August 10, 2004 and until February 19, 2005. Where a landlord seeks eviction~~
5 ~~based upon Section 37.9(a)(13) and either (i) the notice of intent to withdraw rental units is filed with~~
6 ~~the Board on or after August 10, 2004 through February 19, 2005, or (ii) the notice of intent to~~
7 ~~withdraw rental units was filed with the Board prior to August 10, 2004 but the tenant still resided in~~
8 ~~the unit as of August 10, 2004, relocation payments shall be paid to the tenants as follows:~~

9 ~~—(A) Tenants who are members of lower income households, as defined by Section~~
10 ~~50079.5 of the California Health and Safety Code, shall be entitled to receive \$4,500, \$2,250 of which~~
11 ~~shall be paid within fifteen (15) calendar days of the landlord's receipt of written notice from the~~
12 ~~tenants of their entitlement to the relocation payment, and \$2,250 of which shall be paid when the~~
13 ~~tenants vacate the unit.~~

14 ~~—(B) Subject to Subsections 37.9A(e)(2)(C) and (D) below, tenants who are not members~~
15 ~~of lower income households, as defined by Section 50079.5 of the California Health and Safety Code,~~
16 ~~shall be entitled to receive \$4,500, which shall be paid when the tenant vacates the unit;~~

17 ~~—(C) In the event there are more than three tenants in a unit, the total relocation payment~~
18 ~~shall be \$13,500.00, which shall be divided equally by the number of tenants in the unit;~~

19 ~~—(D) Notwithstanding Subsection 37.9A(e)(2)(A) and (B), any tenant who, at the time the~~
20 ~~notice of intent to withdraw rental units is filed with the Board, is 62 years of age or older, or who is~~
21 ~~disabled within the meaning of Section 12955.3 of the California Government Code, shall be entitled to~~
22 ~~receive an additional payment of \$3,000.00, \$1,500.00 of which shall be paid within fifteen (15)~~
23 ~~calendar days of the landlord's receipt of written notice from the tenant of entitlement to the relocation~~
24 ~~payment, and \$1,500.00 of which shall be paid when the tenant vacates the unit.~~

1 ~~(1)(3)~~ **On ~~or After~~ February 20, 2005 and Until August 31, 2022.** Where a landlord
2 seeks eviction based upon Section 37.9(a)(13), and the notice of intent to withdraw rental
3 units is filed with the Board between ~~on or after~~ February 20, 2005 and August 31, 2022, inclusive,
4 relocation payments shall be paid to the tenants as follows:

5 (A) Subject to Subsections 37.9A(e)~~(1)(3)~~(B), (C), and (D) below, the landlord
6 shall be required to pay a relocation benefit on behalf of each authorized occupant of the
7 rental unit regardless of the occupant's age ("Eligible Tenant"). The amount of the relocation
8 benefit shall be \$4,500 per Eligible Tenant, one-half of which shall be paid at the time of the
9 service of the notice of termination of tenancy, and one-half of which shall be paid when the
10 Eligible Tenant vacates the unit;

11 (B) In the event there are more than three Eligible Tenants in a unit, the total
12 relocation payment shall be \$13,500, which shall be allocated proportionally among the
13 Eligible Tenants based on the total number of Eligible Tenants in the unit; and

14 (C) Notwithstanding Subsections 37.9A(e)~~(1)(3)~~(A) and (B), any Eligible Tenant
15 who, at the time the notice of intent to withdraw rental units is filed with the Board, is 62 years
16 of age or older, or who is disabled within the meaning of Section 12955.3 of the California
17 Government Code, shall be entitled to receive an additional payment of \$3,000, \$1,500 of
18 which shall be paid within 15 calendar days of the landlord's receipt of written notice from the
19 tenant of entitlement to the relocation payment, and \$1,500 of which shall be paid when the
20 Eligible Tenant vacates the unit.

21 (D) Commencing March 1, 2005, the relocation payments specified in
22 Subsections 37.9A(e)~~(1)(3)~~(A), ~~and~~ (B), and (C) shall increase annually at the rate of increase
23 in the "rent of primary residence" expenditure category of the Consumer Price Index (CPI) for
24 All Urban Consumers in the San Francisco-Oakland-San Jose Region for the preceding
25

1 calendar year, as that data is made available by the United States Department of Labor and
2 published by the Board.

3 ~~——(E) (i) Notwithstanding Subsections 37.9A(e)(3)(A) (D), as of June 1, 2014, each tenant
4 shall be entitled to a relocation payment equal to the greater of:~~

- 5 ~~——— a. the payment specified in Subsections 37.9A(e)(3)(A) (D); or~~
- 6 ~~——— b. the relocation payment calculated in accordance with Subsection
7 37.9A(e)(3)(E)(iii) below based on the Rental Payment Differential as described in Subsection
8 37.9A(e)(3)(E)(ii) below.~~

9 ~~——— (ii) The Rental Payment Differential is an amount equal to the difference between the
10 unit's monthly rental rate at the time the landlord files the notice of intent to withdraw rental units with
11 the Board, and the monthly market rental rate for a unit in San Francisco as determined by the
12 Controller's Office, based on data on the San Francisco rental market acquired from a publication or
13 posting of RealFacts or another analysis or analyses of the San Francisco rental market providing a
14 reliable measure of average market rental rates in San Francisco for the immediately prior calendar
15 year, and if that year's data is unavailable, data for the most recent prior calendar year that is
16 available. The Controller shall establish a San Francisco Rental Payment Differential Report within
17 five business days of the effective date of the ordinance amending this subsection (E) (Ordinance No.
18 68-15), and thereafter by March 1 of each calendar year. The Controller shall provide such Report to
19 the Rent Board, which shall make the Report publicly available on the Rent Board's website and at the
20 Rent Board office. In determining annual changes in the rental market, the Controller shall rely on
21 market data that reasonably reflects a representative sample of rental apartments in San Francisco.
22 For a Rental Payment Differential based on RealFacts data, rental rates shall be determined as
23 follows:~~

- 24 ~~——— a. the rental rate for units with 1 Bedroom shall be based on the data from RealFacts
25 for a unit with 1 bedroom and 1 bath;~~

1 ~~—————b. the rental rate for units with 2 Bedrooms shall be based on the data from~~
2 ~~RealFacts for a unit with 2 bedrooms and 2 baths;~~

3 ~~—————c. the rental rate for units with 3 or more Bedrooms shall be based on the data from~~
4 ~~RealFacts for a unit with 3 bedrooms and 2 baths; and~~

5 ~~—————d. the rental rate for units without a Bedroom shall be based on the data from~~
6 ~~RealFacts for a studio.~~

7 ~~————(iii) The relocation payment for a unit shall be calculated by multiplying the Rental~~
8 ~~Payment Differential by 24 to cover a two-year period. Notwithstanding any other provision of this~~
9 ~~Section 37.9A, in no event shall the relocation payment for a unit exceed \$50,000. Each tenant of the~~
10 ~~unit as of the date the landlord files the notice of intent to withdraw rental units with the Board shall be~~
11 ~~entitled to the relocation payment for that unit divided equally by the number of tenants in the unit. In~~
12 ~~addition to receiving his or her relocation payment in accordance with the calculation required by this~~
13 ~~Subsection 37.9A(e)(3)(E)(iii), any tenant who qualifies for payment under Subsections 37.9A(e)(3)(C)~~
14 ~~as adjusted by (D) shall also receive that payment. The \$50,000 cap on relocation payments does not~~
15 ~~include any payments for which the tenant qualifies under Subsections 37.9A(e)(3)(C) as adjusted by~~
16 ~~(D).~~

17 ~~————(iv) The landlord shall not have any obligation to pay any portion of the relocation~~
18 ~~payment under Subsection 37.9A(e)(3)(E)(i)b. to the tenant until the tenant submits to the landlord a~~
19 ~~written statement, executed by the tenant under penalty of perjury, stating that the tenant will use the~~
20 ~~relocation payment solely for Relocation Costs, as such term is defined in Section 37.9A(e)(3)(E)(vi)b.~~
21 ~~below, and which provides the address of the rental unit from which the tenant is being evicted, the~~
22 ~~name of the tenant, the name of the landlord, and the date of service of the notice of termination of~~
23 ~~tenancy (the "Declaration"). On or before the date the landlord serves the tenant with the notice of~~
24 ~~termination of tenancy, the landlord shall provide the tenant any Declaration form that the Rent Board~~
25 ~~prepares and makes available on its website and notify the tenant in writing that the landlord does not~~

1 ~~have an obligation to make any portion of the relocation payment prior to the landlord's receipt of the~~
2 ~~Declaration. If the landlord receives the Declaration on or after serving the notice of termination of~~
3 ~~tenancy, but before the tenant vacates the unit, the landlord shall pay one half of the tenant's relocation~~
4 ~~payment on receipt of the Declaration and the remaining half of the payment on the tenant's vacation of~~
5 ~~the unit. If the landlord receives the Declaration on or after the date that the tenant vacates the unit, the~~
6 ~~landlord shall pay the full amount of the relocation payment on receipt of the Declaration.~~

7 ~~——— (v) For each expenditure of relocation payment, a tenant shall maintain any invoices,~~
8 ~~receipts, or other documented proof of the expenditure for a period of at least three years after the date~~
9 ~~the tenant vacates the tenant's unit. During this three-year period, the tenant shall provide the landlord~~
10 ~~a copy of such proof of expenditure within 10 business days of receipt of a written request from the~~
11 ~~landlord. The landlord may request copies of a tenant's proof of expenditure not more than twice in a~~
12 ~~12-month period. No more than three years after the tenant has vacated the unit, the tenant shall~~
13 ~~reimburse the landlord for any portion of the relocation payment paid to the tenant that the tenant~~
14 ~~cannot demonstrate was used for Relocation Costs.~~

15 ~~——— (vi) For purposes of this Section 37.9A, the following definitions apply:~~

16 ~~——— a. "Bedroom" means any room that: 1. is used primarily as quarters for sleeping; 2.~~
17 ~~contains at least 70 square feet, exclusive of closets, bathrooms, or similar spaces, and 3. has at least~~
18 ~~one window opening to an area which leads either to a street, light well, courtyard or rear yard.~~

19 ~~——— b. "Relocation Costs" means any of the following costs incurred by an evicted tenant:~~
20 ~~rent payments for a replacement dwelling, the purchase price of a replacement dwelling, any costs~~
21 ~~incurred in moving to a replacement dwelling, or any costs that the tenant can demonstrate were~~
22 ~~incurred to mitigate the adverse impacts on the tenant of the eviction.~~

23 ~~——— c. "San Francisco Rental Payment Differential Report" means a report on the~~
24 ~~average rental values for dwelling units in San Francisco to be used in calculating relocation payments~~
25 ~~in accordance with Subsection 37.9A(e)(3)(E)(iii).~~

1 ~~——(F) Any tenant who has received a notice of termination of tenancy, but who has not yet~~
2 ~~vacated the unit by the operative date of the ordinance creating subsection (E) and this subsection (F)~~
3 ~~(Ordinance No. 54-14), shall be entitled to the greater of the relocation payment specified in Section~~
4 ~~37.9A(e)(3)(A)-(D) or the relocation payment calculated in accordance with Subsection~~
5 ~~37.9A(e)(3)(E)(iii), reduced by any payment the tenant has received under Subsections 37.9A(e)(3)(A)-~~
6 ~~(D), upon vacating the unit.~~

7 ~~——(G) (i) If payment of the relocation payment under Subsection 37.9A(e)(3)(E)(i)b. would~~
8 ~~constitute an undue financial hardship for a landlord in light of all of the resources available to the~~
9 ~~landlord, the landlord may file a written request, on a form provided by the Rent Board, for a hearing~~
10 ~~for a hardship adjustment ("Hardship Adjustment Request") with the Rent Board, with supporting~~
11 ~~evidence. The Board, or its designated Administrative Law Judges, may order a reduction, payment~~
12 ~~plan, or any other relief they determine is justified following a hearing on the request.~~

13 ~~——(ii) At a hearing for hardship adjustment under Subsection (i), the Board, or its~~
14 ~~designated Administrative Law Judges, shall consider all relevant factors, including the number of~~
15 ~~units in the building and any evidence submitted regarding the landlord's age, length of ownership of~~
16 ~~the building, ownership of any other buildings, income, expenses, other assets, debt, health, and health~~
17 ~~care costs, except as provided in Subsection (iii).~~

18 ~~——(iii) At a hearing for hardship adjustment under Subsection (i), the Board, or its~~
19 ~~designated Administrative Law Judges, shall not consider any of the following types of assets owned by~~
20 ~~the landlord:~~

21 ~~——a. Assets held in retirement accounts; and~~

22 ~~——b. Non-liquid personal property.~~

23 ~~——(H) Without limiting or otherwise affecting the landlord's right to obtain a hardship~~
24 ~~adjustment under Subsection 37.9A(e)(3)(G), the landlord may file a written request, on a form~~
25 ~~provided by the Rent Board, for a hearing with the Rent Board claiming that the San Francisco Rental~~

1 ~~Payment Differential Report established in Subsection 37.9A(e)(3)(E)(ii) does not reasonably reflect~~
2 ~~the market rental rate for a comparable unit in San Francisco and would result in an overpayment by~~
3 ~~the landlord ("Rent Differential Recalculation Request"). The landlord shall include evidence in~~
4 ~~support of the request. If the Board, or its designated Administrative Law Judges, grant(s) the request~~
5 ~~in whole or part, they shall order an appropriate adjustment of the payment due from the landlord.~~

6 ~~——(I) For purposes of considering Hardship Adjustment and Rent Differential~~
7 ~~Recalculation Requests under Subsections 37.9A(e)(3)(G) and (H), the Board shall follow a process~~
8 ~~consistent with the existing Board hearing process under Section 37.8. If a landlord submits both types~~
9 ~~of hearing requests, the Board may consolidate its hearing of the two requests.~~

10 (2) On or After September 1, 2022. Where a landlord seeks eviction based upon Section
11 37.9(a)(13), and the notice of intent to withdraw rental units is filed with the Rent Board on or after
12 September 1, 2022, the landlord shall pay relocation payments in the manner described in Subsection
13 37.9A(e)(1)(A) and (B), except that the specific amount of the relocation benefit shall be \$10,000 per
14 Eligible Tenant, and the total relocation payment shall be \$30,000 in the event there are more than
15 three Eligible Tenants in the unit; and further, an Eligible Tenant who meets any of the criteria listed in
16 Subsection 37.9A(e)(1)(C) shall be entitled to receive an additional payment of \$6,700, in two payments
17 of \$3,350 each, the timing of which is set forth in that subsection. The Rent Board shall adjust these
18 amounts annually as set forth in Subsection 37.9A(e)(1)(D).

19 ~~(3)(4)~~ Any notice to quit pursuant to Section 37.9(a)(13) shall notify the tenant or
20 tenants concerned of the right to receive payment under Subsections 37.9A(e)(1) or (2) ~~or (3)~~
21 and the amount of payment which the landlord believes to be due.

22 **(f) Notice to Rent Board; Recordation of Notice; Effective Date of Withdrawal.**

23 (1) Any owner who intends to withdraw rental units from rent or lease ~~any rental unit~~
24 shall notify the Rent Board in writing of said intention. An owner may not withdraw from rent or
25 lease less than all units within the accommodations as defined by paragraphs (1) or (2) of subdivision

1 (b) of California Civil Code Section 7060. Said notice shall contain statements, under penalty of
2 perjury, providing information on the number of residential units, the address or location of
3 those units, the name or names of the tenants or lessees of the units, and the rent applicable
4 to each residential rental unit. Said notice shall be signed by all owners of record of the
5 property under penalty of perjury and shall include a certification that actions have been
6 initiated as required by law to terminate existing tenancies through service of a notice of
7 termination of tenancy. The notice must be served by certified mail or any other manner
8 authorized by law prior to delivery to the Rent Board of the notice of intent to withdraw the
9 rental units. Information respecting the name or names of the tenants, the rent applicable to
10 any unit, or the total number of units, is confidential and shall be treated as confidential
11 information by the City for purposes of the Information Practices Act of 1977, as contained in
12 Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil
13 Code. The City shall, to the extent required by the preceding sentence, be considered an
14 "agency," as defined by Subdivision (b) of Section 1798.3 of the Civil Code.

15 * * * *

16 ~~(3) For a notice of intent to withdraw rental units filed with the Rent Board on or before~~
17 ~~December 31, 1999, the date on which the units are withdrawn from rent or lease for purposes of this~~
18 ~~Chapter and the Ellis Act is 60 days from the delivery in person or by first-class mail of the Subsection~~
19 ~~(f)(1) notice of intent to the Rent Board.~~

20 (3)(4) For a notice of intent to withdraw rental units filed with the Rent Board on or
21 after January 1, 2000, the date on which the units are withdrawn from rent or lease for
22 purposes of this Chapter 37 and the Ellis Act is 120 days from the delivery in person or by
23 first-class mail of the Subsection (f)(1) notice of intent to the Rent Board. Except that, if the
24 tenant or lessee is at least 62 years of age or disabled as defined in Government Code §
25 12955.3, and has lived in his or hertheir unit for at least one year prior to the date of delivery to

1 the Rent Board of the Subsection (f)(1) notice of intent to withdraw, then the date of
2 withdrawal ~~of the unit of that tenant or lessee~~ shall be extended to one year after the date of
3 delivery of that notice to the Rent Board, provided that the tenant or lessee gives written
4 notice of ~~his or her~~their entitlement to an extension of the date of withdrawal to the owner
5 within 60 days of the date of delivery to the Rent Board of the Subsection (f)(1) notice of intent
6 to withdraw. In that situation, the following provisions shall apply:

7 (A) The tenancy shall be continued on the same terms and conditions as existed
8 on the date of delivery to the Rent Board of the notice of intent to withdraw, subject to any
9 adjustments otherwise available under ~~Administrative Code~~this Chapter 37.

10 (B) No party shall be relieved of the duty to perform any obligation under the
11 lease or rental agreement.

12 (C) The owner may elect to extend the ~~tenancy date of withdrawal~~ on any other
13 units within the accommodations up to one year after date of delivery to the Rent Board of the
14 Subsection (f)(1) notice of intent to withdraw, subject to Subsections (f)~~(3)(4)~~(A) and (B).

15 (D) Within 30 days of the notification by the tenant or lessee to the owner of ~~his~~
16 ~~or her~~their entitlement to an extension of the date of withdrawal, the owner shall give written
17 notice to the Rent Board of the claim that the tenant or lessee is entitled to stay in their
18 accommodations or unit within the accommodations for one year after the date of delivery to the
19 Rent Board of the Subsection (f)(1) notice of intent to withdraw.

20 (E) Within 90 days of the date of delivery to the Rent Board of the notice of
21 intent to withdraw, the owner shall give written notice to the Rent Board and the affected
22 tenant or lessee of the following:

- 23 (i) Whether or not the owner disputes the tenant's claim of extension;
24 (ii) The new date of withdrawal under Section 37.9A(f)~~(3)(4)~~(C), if the owner
25 does not dispute the tenant's claim of extension; and,

1 (iii) Whether or not the owner elects to extend the date of withdrawal to other
2 units on the property.

3 (F) The date of withdrawal for the accommodations as a whole, for purposes of
4 calculating the time periods described in Sections 37.9A, shall be the latest termination date among all
5 tenants within the accommodations, as stated in the notices required by Section 37.9A(f)(3),
6 subsections(D) and (E). An owner’s further voluntary extension of a tenancy beyond the date stated in
7 the notices required by subsections(D) and (E) shall not extend the date of withdrawal.

8 * * * *

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

14
15 Section 4. Scope of Ordinance.

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

22 (b) The codified relocation benefits presented in Section 2 of this ordinance as
23 existing text in Administrative Code Section 37.9A(e)(1) (formerly Section 37.9A(e)(3)) do not
24 reflect the amounts that are currently applicable. The Rent Board adjusts those amounts
25 annually to reflect changes in the Consumer Price Index, pursuant to Section 37.9A(e)(1)(D)

LEGISLATIVE DIGEST

[Administrative Code - Ellis Act Evictions]

Ordinance amending the Administrative Code to clarify that the date a property is withdrawn under the Ellis Act is based on the latest date that any tenancy in the property is terminated; to increase the relocation payments that owners must pay to tenants when evicting under the Ellis Act; to require that an owner who returns a unit to the rental market following an Ellis Act eviction must return the entire property to the market, with exceptions for certain owner-occupied units; to clarify that paying punitive damages does not extinguish an owner's obligation to re-offer the unit upon re-rental to the displaced tenants; and to delete inoperative Code sections.

Existing Law

The Ellis Act, California Government Code Sections 7060, et seq., gives rental property owners the right to exit the rental housing business, but also allows local governments to place certain conditions and restrictions on landlords who evict tenants in order to exit the market. In 2019, the California Legislature adopted AB 1399 to clarify and amend certain portions of the Ellis Act.

Separate from AB 1399, the Ellis Act authorizes local governments to mitigate the adverse impacts on displaced tenants. San Francisco requires landlords who are evicting under the Ellis Act to provide relocation assistance to the tenants they are displacing. The current relocation amounts are approximately \$7,426 per eligible tenant, capped at \$22,280 per household, plus an additional \$4,951 for each tenant who is senior or disabled.

Amendments to Current Law

The ordinance makes certain changes pursuant to AB 1399. Specifically, it (1) clarifies that the date a property is withdrawn is based on the latest date that any tenancy in the property is terminated; (2) requires that an owner who returns a unit to the rental market following an Ellis Act eviction must return the entire property to the market, with exceptions for certain owner-occupied units; and (3) clarifies that an owner's payment of punitive damages following the owner's unlawful re-rental of a unit does not extinguish the owner's obligation to re-offer the unit upon re-rental to the displaced tenants. These amendments are intended to be consistent with AB 1399.

The ordinance also increases the relocation payments that owners must pay to tenants when evicting under the Ellis Act. The ordinance also deletes certain inoperative Code provisions related to relocation payments, including former Administrative Code Section 37.9A(e)(3)(E).

n:\legana\as2022\2200035\01593077.docx

LEGISLATIVE DIGEST

[Administrative Code - Ellis Act Evictions]

Ordinance amending the Administrative Code to clarify that the date a property is withdrawn under the Ellis Act is based on the latest date that any tenancy in the property is terminated; to increase the relocation payments that owners must pay to tenants when evicting under the Ellis Act; to require that an owner who returns a unit to the rental market following an Ellis Act eviction must return the entire property to the market, with exceptions for certain owner-occupied units; to clarify that paying punitive damages does not extinguish an owner's obligation to re-offer the unit upon re-rental to the displaced tenants; and to delete inoperative Code sections.

Existing Law

The Ellis Act, California Government Code Sections 7060, et seq., gives rental property owners the right to exit the rental housing business, but also allows local governments to place certain conditions and restrictions on landlords who evict tenants in order to exit the market. In 2019, the California Legislature adopted AB 1399 to clarify and amend certain portions of the Ellis Act.

Separate from AB 1399, the Ellis Act authorizes local governments to mitigate the adverse impacts on displaced tenants. San Francisco requires landlords who are evicting under the Ellis Act to provide relocation assistance to the tenants they are displacing. The current relocation amounts are approximately \$7,426 per eligible tenant, capped at \$22,280 per household, plus an additional \$4,951 for each tenant who is senior or disabled.

Amendments to Current Law

The ordinance makes certain changes pursuant to AB 1399. Specifically, it (1) clarifies that the date a property is withdrawn is based on the latest date that any tenancy in the property is terminated; (2) requires that an owner who returns a unit to the rental market following an Ellis Act eviction must return the entire property to the market, with exceptions for certain owner-occupied units; and (3) clarifies that an owner's payment of punitive damages following the owner's unlawful re-rental of a unit does not extinguish the owner's obligation to re-offer the unit upon re-rental to the displaced tenants. These amendments are intended to be consistent with AB 1399.

The ordinance also increases the relocation payments that owners must pay to tenants when evicting under the Ellis Act. The ordinance also deletes certain inoperative Code provisions related to relocation payments, including former Administrative Code Section 37.9A(e)(3)(E).

n:\legana\as2022\2200035\01593077.docx

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
1390 Market Street, Suite 1150, San Francisco, CA 94102
PHONE (415) 552-9292 FAX (415) 252-0461

Policy Analysis Report

To: Supervisor Myrna Melgar
From: Budget and Legislative Analyst's Office
Re: Analysis of Ellis Act Eviction Relocation Payments
and Proceeds from Property Sales following Ellis Act Evictions
Date: March 15, 2022



Summary of Requested Action

Your office requested that our office conduct an update of our 2014 analysis on the level of profits realized by landlords following the sale of a building after the eviction of tenants under the Ellis Act. You also requested that we review whether the current relocation payment amounts authorized under local eviction protection ordinances are sufficient to cover relocation costs and other costs that result from an eviction.

For further information about this report, contact Fred Brousseau, Director of Policy Analysis, at the Budget and Legislative Analyst's Office.

Executive Summary

- According to 2019 Census Bureau survey estimates, approximately two-thirds of San Francisco housing units were occupied by renters, or a total of 226,115 housing units. Under the City's Residential Rent and Stabilization Ordinance, almost all of the tenants in these units can only be evicted for one of 16 "just cause" reasons, which include habitual non-payment of rent, nuisance, failure to cure a breach of the lease, substantial rehabilitation or capital improvement of the property, owner move-in, withdrawal of the unit from the rental market under the Ellis Act, and others.
- City law requires that landlords file an eviction notice with the City Rent Board when they intend to evict a tenant for any one of the 16 allowable just cause reasons, other than non-payment of rent. While eviction notice filings overall have generally decreased since 2001, particularly since the onset of the COVID-19 pandemic, Ellis Act eviction notices fluctuated between 2010 and 2021, ranging from 54 to 231 per year, but remained a relatively constant proportion of all eviction notices, ranging from eight to 12 percent of all notices.

Budget and Legislative Analyst

- Each Ellis Act eviction can affect multiple individuals since a notice is issued on the unit, each of which can house multiple tenants.
- As an alternative to Ellis Act or other just cause evictions, landlords also negotiate private buyout agreements to remove tenants from their housing units. Buyout amounts are not regulated by the City but landlords must provide the Rent Board with the buyout amounts paid per tenant for each housing unit affected. Reported buyout agreements remained relatively constant pre-pandemic averaging 358 agreements per year, affecting an average of 678 tenants per year between 2016 and 2019. As with evictions, the number of buyout agreements reported to the Rent Board declined with the onset of the pandemic.
- City law requires that landlords that evict tenants under the Ellis Act provide them with relocation assistance. Adjusted each year, the required relocation payments for March 2021 through February 2022 were \$7,419 per tenant, or up to a maximum of three times that amount for households with more than one tenant. The maximum relocation payment amount permitted, \$22,257, covers the equivalent of three tenants ($\$7,419 \times 3 = \$22,257$); there is no additional payment for housing units with more than three tenants. Seniors or people with disabilities receive an additional payment of \$4,946, for a total of \$12,365 per tenant for up to three tenants. Each additional elderly or disabled tenant after the first three would only receive the additional payment of \$4,946. Exhibit A summarizes this information.

Exhibit A: San Francisco Required Ellis Act Relocation Payments, 2021-2022

Relocation Payment Amounts for Mar. 2021 to Feb. 2022

	Under 62/ not disabled	62+ and/or disabled
Base amount per tenant	\$7,419	\$7,419
Additional payment per tenant	\$0	\$4,946
Maximum per tenant	\$7,419	\$12,365
Maximum base amount per housing unit: 3+ tenants	\$22,257	\$22,257
Additional maximum payment per tenant	\$0	\$4,946 x # qualified tenants (<i>no cap</i>)

Source: San Francisco Rent Board

- In comparing relocation payment amounts to estimated costs for tenants to move to market rate housing after an Ellis Act eviction, we found that the current payments cover likely costs for some, but not all, scenarios of households being evicted and moving to market rate housing in San Francisco. Exhibit B presents five potential

eviction scenarios.

Exhibit B: Comparison of Ellis Act Relocation Costs and Payments by Housing Scenario

Eviction Scenarios						
Scenario		1 Tenant in Studio	1 Tenant in 1 Bedroom	2 Tenants in 2 Bedroom (stay together after move)	2 Tenants in 2 Bedroom (Tenants do not stay together)	Elderly/ Disabled Tenant (Studio)
Household	<i>Before Eviction</i>	1 tenant	1 tenant	2 tenants	2 tenants	1 elderly tenant
	<i>After Eviction</i>	Same	Same	2 tenants move together	2 tenants move to own apts.	Same
Housing	<i>Before Eviction</i>	Studio	1 BR	2 BR	2 BR	Studio
	<i>After Eviction</i>	Studio (mkt. rate)	1 BR (mkt. rate)	2 BR (mkt. rate)	One tenant to mkt. rate 1 BR	Studio (mkt. rate)
Payments vs. Costs						
Relocation Payments						
Baseline for tenants		\$7,419	\$7,419	\$14,838	\$7,419	\$7,419
Elderly/ Disabled Additional Payment						\$4,946
Total Relocation Payment		\$7,419	\$7,419	\$14,838	\$7,419	\$12,365
Relocation Costs						
First & Last Month's Rent ^a		\$4,050	\$5,590	\$7,550	\$5,590	\$4,050
Security Deposit (1 month's rent) ^a		\$2,025	\$2,795	\$3,775	\$2,795	\$2,025
Moving Costs		\$851	\$851	\$1,092	\$851	\$851
Lost wages (5 days @ min. wage)		\$653	\$653	\$653	\$653	n.a.
Total Relocation Costs		\$7,579	\$9,889	\$13,069	\$9,889	\$6,926
Total Payment less Costs		(\$160)	(\$2,470)	\$1,769	(\$2,470)	\$5,439
Current rent		\$1,051	\$1,451	\$1,960	\$980	\$824
New rent ^a		\$2,025	\$2,795	\$3,775	\$2,795	\$2,025
Change/month		\$974	\$1,344	\$1,815	\$1,815	\$1,201
Months of increased rent covered by relocation payments (after costs)		(0.16)	(1.84)	0.97	(1.36)	4.53

Source: BLA estimates, see Appendix B for more details.

^a Based on median market rent for housing with the specified number of bedrooms from Zumper.com as of October 23, 2021.

- As shown in Exhibit B, the required relocation payments for a single tenant in a 1 bedroom unit moving to a market rate 1 bedroom unit would not be sufficient to cover first and last months' rent, a security deposit (one month's rent), moving costs, and lost wages for five days spent packing and moving (conservatively assuming a minimum wage job in San Francisco). We estimate the deficiency in such a scenario to be \$2,470 based on a relocation payment of \$7,419 and relocation costs of \$9,889.

- Similarly, as also shown in Exhibit B, the required relocation payment amount would be insufficient by the same amount for two tenants sharing a housing unit with at least one of them moving separately into their own market rate unit after an Ellis Act eviction. If the two tenants stay together, on the other hand, and move into a 2 bedroom market rate unit, the relocation payments would be sufficient to cover moving costs.
- Relocation payments for senior or disabled tenants would be sufficient under the scenario presented in Exhibit B with a single tenant moving from a studio apartment to a similar market rate unit. The additional \$4,946 senior/disabled relocation payment per tenant mostly explains the difference for these tenants.
- As can also be seen in Exhibit B, the relocation payment amounts provide temporary relief in some scenarios for the additional monthly rent costs that tenants will incur after moving into market rate housing but not in all cases. Tenants moving by themselves into studio or 1 bedroom market rate units would not have sufficient funds from the relocation payments to cover any additional monthly rent costs. Households with two tenants that stay together and households with senior or disabled tenants would be able to use a portion of their relocation payments to cover some of their higher monthly rent. Except for unusual circumstances, however, evicted tenants will face higher ongoing monthly market rate rent costs following an Ellis Act eviction and relocation costs are not designed to make up the difference.
- To assess the potential financial impacts of Ellis Act evictions on property owners, we analyzed the assessed value of properties that were sold subsequent to their owners filing an Ellis Act Withdrawal Petition with the Rent Board and assumedly evicting their tenants. We found that the median assessed value of 59 such properties, representing 135 housing units, increased by 464.5 percent from \$299,470 in FY 2011-12 to \$1,690,650 in FY 2020-21, or by approximately \$1.4 million. This rate of increase exceeds the 223.4 percent increase in assessed value for all properties for which Ellis Act Withdrawal Petitions were filed during that same period (which includes those that were not sold after the Ellis Act Withdrawal Petition was filed). It also exceeds the increase in all home values in San Francisco of approximately 116 percent between 2011 and 2021 as reported by Zillow. All of this data indicates that evicting tenants through the Ellis Act corresponds to increased value of the properties, particularly if they are sold, but even if they are not.

Exhibit C: Change in Assessed Value for Properties with an Ellis Act Withdrawal Petition Filed between 2014 and 2021

Pre-Ellis Withdrawal Use/ Class Type	# of Properties	Total # of Units (2011-12)	Total # of Units (2011-12)	Avg. # of Units (2011-12)	Median Assessed Value (2011-12)	Median Assessed Value (2020-21)	Percentage Change
Dwelling/ Single Family Residence	153	153	154	1.0	\$300,280	\$647,610	115.7%
Flats & Duplex	146	362	359	2.5	\$262,570	\$1,359,182	417.6%
Apartment	57	316	311	5.5	\$380,431	\$1,894,256	397.9%
Flat & Store	9	30	30	3.3	\$187,525	\$231,998	23.7%
Condominium	1	1	1	1.0	\$325,005	\$1,224,000	276.6%
Dwellings - Apartments	1	2	2	2.0	\$139,909	\$163,885	17.1%
No 2011-12 Use Data	10		7			\$832,320	NA
All Ellis Withdrawals	377	864	864	2.4	\$300,191	\$970,883	223.4%

Source: BLA Estimates based on Assessor-Recorder's Office Quarterly Transfers, Secured Property Roll data for FYs 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions. See Appendix B for details.

- Finally, we further analyzed the financial impacts of Ellis Act evictions by analyzing the change in sales price for just those properties for which the owners filed an Ellis Act Withdrawal Petition and subsequently sold the property. Comparing the most recent sales prices prior to the Ellis Act Withdrawal Petition with the sales price after the Ellis Act Withdrawal Petition was filed for 38 properties representing 73 housing units, we found a median change in price of \$949,688 for all properties, or \$429,000 per unit. This information is presented in Exhibit D.

**Exhibit D: Gross Profits/Change in Sales Price for Properties with an Ellis Act
 Withdrawal Petition, 2014 – 2021***

Use/Class Type	# of Properties	Change in Price Following an Ellis Act Withdrawal			
		Median Change in Price	# of Units	Median Chg. In Price Per Unit	Max. Ellis Act Relocation Payment per Unit
Flats & Duplex	12	\$1,268,936	26	\$454,090	\$22,257
Apartment	4	\$2,144,687	25	\$388,842	\$22,257
Dwelling/ Single Family Residence	22	\$708,909	22	\$708,909	\$22,257
Total	38	\$949,688	73	\$429,000	\$22,257

Source: BLA Estimates based on Assessor-Recorder’s Office Quarterly Transfers, Secured Property Roll data for 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions.

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the FY 2011-12 Secured Property Roll for Pre-Ellis withdrawal information and compared this to FY 2020-21 Secured Property Roll Data (i.e. most recent available). See additional notes in report body and Appendix A.

- The estimates presented in Exhibit D are gross profits and do not take into account the cost of any renovations prior to sale or taxes paid on the sale proceeds.
- For perspective, the current maximum Ellis Act relocation payment per unit of \$22,257 represents 5.2 percent of the median change in price per unit. However, if there were additional elderly or disabled tenants in a unit, the relocation payment required would increase by \$4,946 per elderly/disabled tenant, or by 1.1 percent of the median change in price per unit.

<i>Project Staff: Fred Brousseau, Cody Xuereb</i>

Table of Contents

Summary of Requested Action.....	1
Table of Contents	7
1. Background.....	8
2. Ellis Act Eviction Relocation Payments Analysis	19
3. Ellis Act Property Sales Analysis	25
Appendix A: Ellis Act Property Sales Analysis Methodology	34
Appendix B: Ellis Act Relocation Payments Analysis Methodology	36

1. Background

Rent Control and Eviction Protections in San Francisco

According to 2019 Census Bureau survey estimates, almost two-thirds of San Francisco housing units were occupied by renters, or a total of 226,115 housing units.¹ Under the City’s Residential Rent and Stabilization Ordinance, most rental properties constructed before June 13, 1979 are subject to rent control restrictions and tenants can only be evicted for one of 16 “just causes,” including habitual non-payment of rent, nuisance, failure to cure a breach of the lease, substantial rehabilitation or capital improvement of the property, owner move-in, and others.² Withdrawal of all rental units in a building from the rental market to allow a landlord to exit the rental business is also included as a “just cause” under the Ellis Act, codified in State law in 1985. Landlords must follow certain noticing and other procedural requirements set out by the Ordinance and the Rent Board when undertaking a just cause eviction. According to the Census Bureau’s 2019 American Community Survey, 80 percent of renter-occupied housing units in San Francisco, or approximately 180,892 units, were built before 1980, or approximately six months after the City’s Rent Ordinance original threshold for rental properties subject to rent control and related provisions.³ However, starting in January 2020, the Rent Ordinance was amended to expand just cause eviction protections and requirements to units built after 1979 and now cover almost all rental units in the City.

San Francisco Eviction Trends

Though there have been increases and decreases in individual years, eviction notices reported to the San Francisco Rent Board in San Francisco have generally declined since 2001 from 2,151 to 1,428 in 2019, or by 34 percent, as shown in Exhibit 1. This is based on eviction notices filed with the San Francisco Rent Board, which should not include most notices for non-payment of rent as these are not required to be reported to the Rent Board. While not all eviction notices result in an actual eviction, these notices are often the first step of the formal eviction process and provide a consistent source of eviction data over time. Conversely, though required for most evictions, eviction notices may not be filed at all with the Rent Board in some instances as the agency relies on landlords complying with eviction reporting requirements and tenants reporting instances of non-compliance with Rent Ordinance provisions. Informal and other evictions which occur outside of required regulations and statutes such as through intimidation or other means are also not captured.

¹ U.S. Census Bureau, 2019 American Community Survey (5-year estimates), Table DP04.

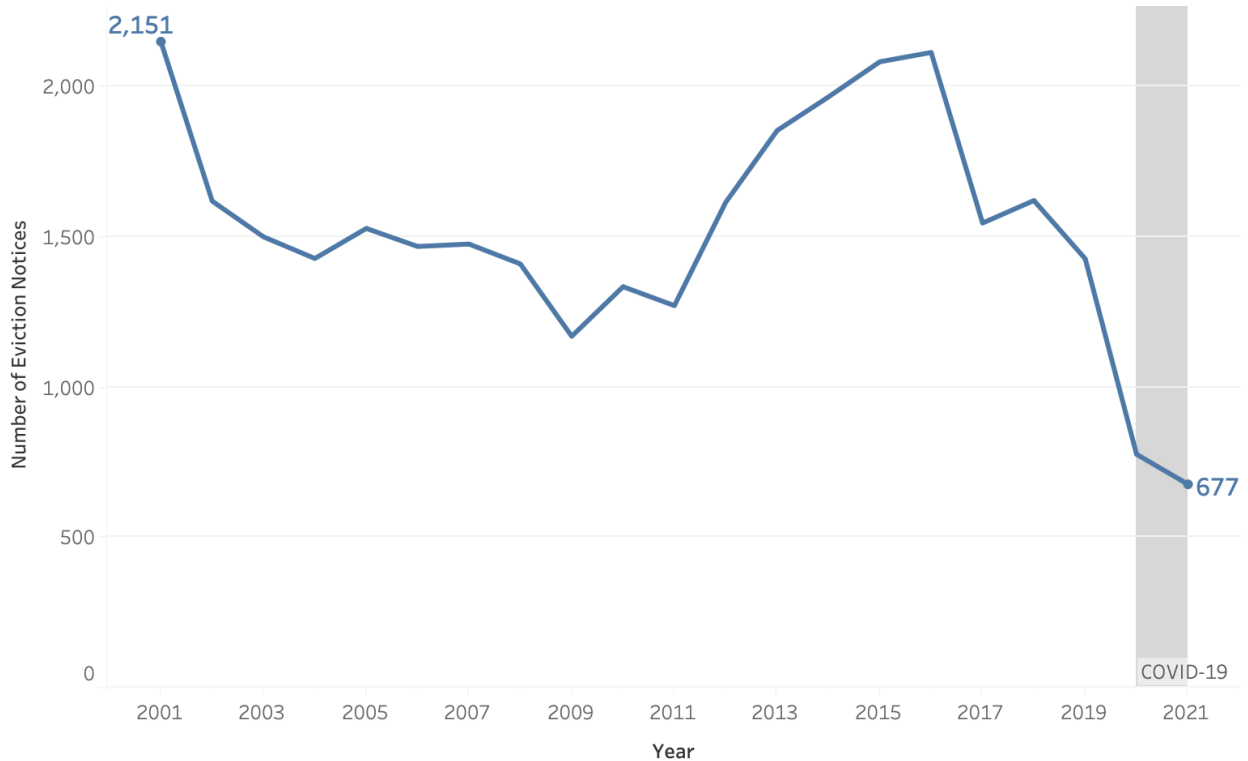
² San Francisco Administrative Code, Section 37.9(a)

³ Ibid, Table S2504

eviction notices fell significantly in 2020 (to 777) and in 2021 (677 from January to September 2021) due to federal, state, and local COVID-19 eviction moratoria for most types of evictions and COVID-19 related court closures. However, the number of eviction notices filed with the Rent Board had already fallen before the pandemic from a high of 2,115 in 2016.

Evictions tend to follow a cyclical pattern, rising during periods of market rent and housing price increases and falling during times of economic and housing market downturns. For example, eviction notices increased by just over 80 percent from the end of the last economic recession in 2009 to a peak in 2016. From a financial cost-benefit perspective, landlords may be incentivized to evict tenants to sell their property or convert it to a different use if there is a significant enough divergence between the current rent being received (whether rent-controlled or not) and the expected market rent or expected proceeds from sale or conversion. Rent control and just cause eviction ordinances restrict the ability of property owners to respond to these market incentives. However, the Ellis Act provides one mechanism for landlords to exit the rental housing business (at a cost) and presumably sell the property, move in, or keep it off the rental market until the legally required period has passed before it can be rented again. As will be discussed later, there are certain restrictions for properties withdrawn under the Ellis Act such as when a landlord or a new owner can change the use of a property or begin charging market rent.

Exhibit 1: Eviction Notices in San Francisco, 2001 – 2021*



Source: San Francisco Rent Board (via DataSF)

* Includes eviction notices up to September 2021

Evictions by Just Cause Reason

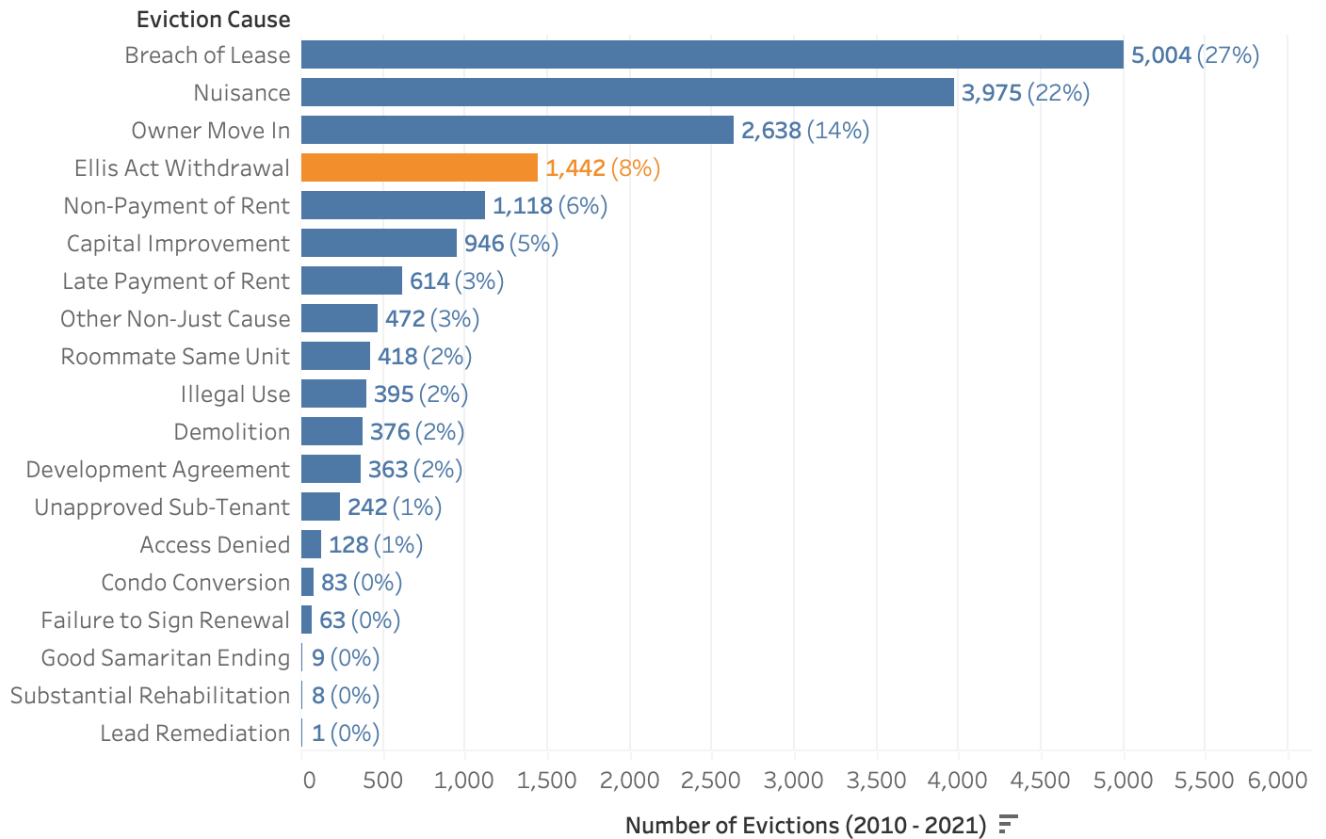
Despite the City’s Rent Ordinance allowing 16 just cause reasons for an eviction, only five of those reasons were used in 77 percent, or the majority, of eviction notices filed with the Rent Board in the past 10 years. As shown in Exhibit 2 below, of the 18,295 eviction notices filed between January 2010 and September 2021, the leading causes of eviction were failure to cure a substantial breach of the lease or rental agreement (27 percent) and a nuisance or significant interference with the comfort, safety, or enjoyment of the landlord or other building tenants (22 percent). After those causes, the primary reasons for eviction were:

- occupancy by the owner or the owner’s immediate family, i.e. owner move in (14 percent)
- withdrawal of rental units under the Ellis Act (8 percent), and
- non-payment of rent (6 percent).⁴

⁴ Though eviction notices for non-payment of rent are not required to be filed with the Rent Board, agency staff report that some landlords file such notices anyway. This implies that the actual number of such evictions are likely to represent a greater proportion of evictions than shown here.

Eviction notices pursuant to the Ellis Act represented accounted for 1,142 of the 18,295 Eviction notices filed between 2010 and 2021 (through September).

Exhibit 2: Eviction Notices by Just Cause Reason in San Francisco, 2010 – 2021*



Source: San Francisco Rent Board (via DataSF)

* Includes eviction notices up to September 2021. Note that eviction notice numbers reported to DataSF differ slightly from numbers reported by the San Francisco Rent Board in its Annual Eviction Report. These differences are nominal and do not affect the trends shown above.

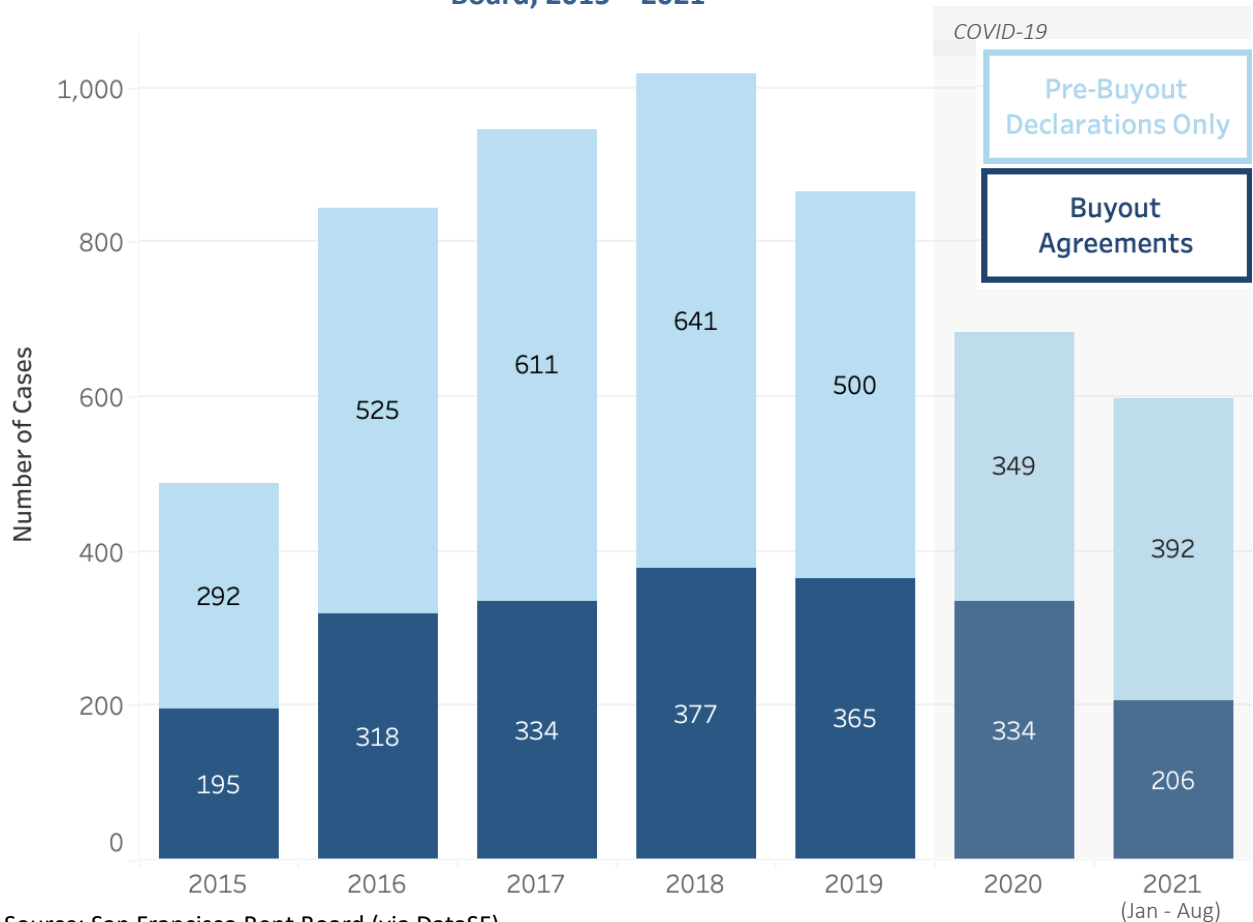
Buyout Agreements

Besides Ellis Act and other just cause evictions, housing units are also vacated through buyout agreements in which landlords provide a cash payment or other compensation in exchange for tenants voluntarily agreeing to vacate their rental units. Starting in 2015, the City instituted certain requirements for such agreements. In particular, landlords must provide a Rent Board-approved Pre-Buyout Negotiations Disclosure Form to tenants, provide the Rent Board with a Pre-Buyout Declaration before beginning any negotiations⁵, and provide a copy of the fully signed buyout agreement to the Rent Board. The Rent Board regularly publishes the pre-Buyout Declarations and the final Buyout Agreement information.

Exhibit 3 below shows that the number of buyout agreements filed with the Rent Board was relatively stable before the COVID-19 pandemic with an average of 358 agreements filed per year covering an annual average of 678 tenants each year from 2016 to 2019. Both the number of Buyout Agreements and Pre-Buyout Declarations decreased in 2020 to 295 and 349, respectively and again in 2021 (through August), presumably affected by the pandemic. In the first eight months of 2021, Buyout Agreements decreased further to 125, while Pre-Buyout Declarations increased to 392, indicating a potential increase in forthcoming Buyout Agreements (as of August 30, 2021). According to tenants' rights organizations consulted, the number of Buyout Agreements reported by the Rent Board is likely an underestimate based on previous efforts by these organizations to reconcile tenant-disclosed agreements with those reported to the Rent Board.

⁵ Declaration of Landlord Regarding Service of Pre-Buyout Negotiations Disclosure Form

Exhibit 3: Pre-Buyout Declarations and Buyout Agreements Reported to the Rent Board, 2015 – 2021*



Source: San Francisco Rent Board (via DataSF)

* Includes data through August 30, 2021. Note that Buyout Agreement numbers reported to DataSF differ slightly from numbers reported by the San Francisco Rent Board in its Annual Eviction Report. These differences are nominal and do not affect the trends shown above.

Evictions Authorized under California’s Ellis Act

While most just cause evictions require substantial or repeat failure to abide by a rental agreement or planned improvements to a rental unit, the Ellis Act allows a landlord to evict tenants not due to any wrongdoing on the tenant’s part, but for the purpose of removing a unit from the rental market. The California State Legislature enacted the Ellis Act in 1985 to prohibit localities from preventing landlords from evicting tenants in order to exit the residential rental business.⁶ This followed a California Supreme Court decision which found that localities *could*

⁶ California Government Code Section 7060, et seq.

prevent landlords from evicting tenants to exit the rental housing business in order to regulate local rental housing.⁷

Pursuant to the Ellis Act, all units within a property must be withdrawn and if any of the units are rented again during the five-year period immediately after the Ellis Act evictions, they must be offered back to the previous tenants at the same rent. If the tenants do not reoccupy, then the units may be rented to new tenants, but at the same rent that was paid by the previous tenants at the time the units were first removed from the rental market, adjusted for inflation according to local rent control regulations. If the units are rented after the five-year period ends but within ten years of the withdrawal, they may be rented at full market value but must first be offered to the previous tenant. These restrictions are formally recorded against the property with the Assessor-Recorder's Office by the property owner and the San Francisco Rent Board and must be enforced by any subsequent owners (recorded as a "Memorandum" and "Notice of Constraints," respectively). The Rent Board or an evicted tenant can seek compensation for damages if these procedures are not followed but the Rent Board does not actively monitor compliance with the re-rental requirements and restrictions after the notice of withdrawal or eviction takes place.

Pursuant to City ordinance, tenants being evicted under the Ellis Act are entitled to a 120-day notice and financial relocation assistance payments as shown in Exhibit 4 below. Ellis Act eviction notices (including a "Notice of Intent to Withdraw Residential Units from the Rental Market") must be submitted to the San Francisco Rent Board. Additionally, if the tenant is elderly or disabled, they are entitled to an additional eight-month extension (for a total of one year) if requested before having to vacate and an additional relocation assistance payment.⁸ As can be seen in Exhibit 4, the maximum relocation payment amount per housing unit is equivalent to the amount per tenant for up to three tenants (\$7,419 per tenant x 3 tenants = \$22,257) regardless of the number of tenants in the unit. For seniors and disabled tenants, this maximum also applies to the regular per tenant payment amount but not to the additional relocation payment to which these tenants are entitled. For example, a housing unit with 4 senior and/or disabled tenants would be entitled to \$42,041 (i.e. the unit maximum \$22,257 plus \$4,946 x 4 tenants).

⁷ *Nash v. City of Santa Monica* (1984) 37 Cal. 3d 97

⁸ "Elderly" is defined as 62 years of age or older and "disabled" is defined as a mental or physical disability that generally limits a major life activity, as set out in state and federal law.

Exhibit 4: San Francisco Required Ellis Act Relocation Payments, 2021-22^a

Relocation Payment Amounts for Mar. 2021 to Feb. 2022

	Under 62/not disabled	62+ and/or disabled
Base amount per tenant ^b	\$7,419	\$7,419
Additional payment per tenant ^b	0	\$4,946
Maximum per tenant	\$7,419	\$12,365
Maximum base amount per housing unit for 3+tenants	\$22,257	\$22,257
Additional maximum payment per tenant ^c	\$0	\$4,946 x # qualified tenants (<i>no cap</i>)

Source: San Francisco Rent Board

^a The Rent Board year runs from March 1 through the last day of February.

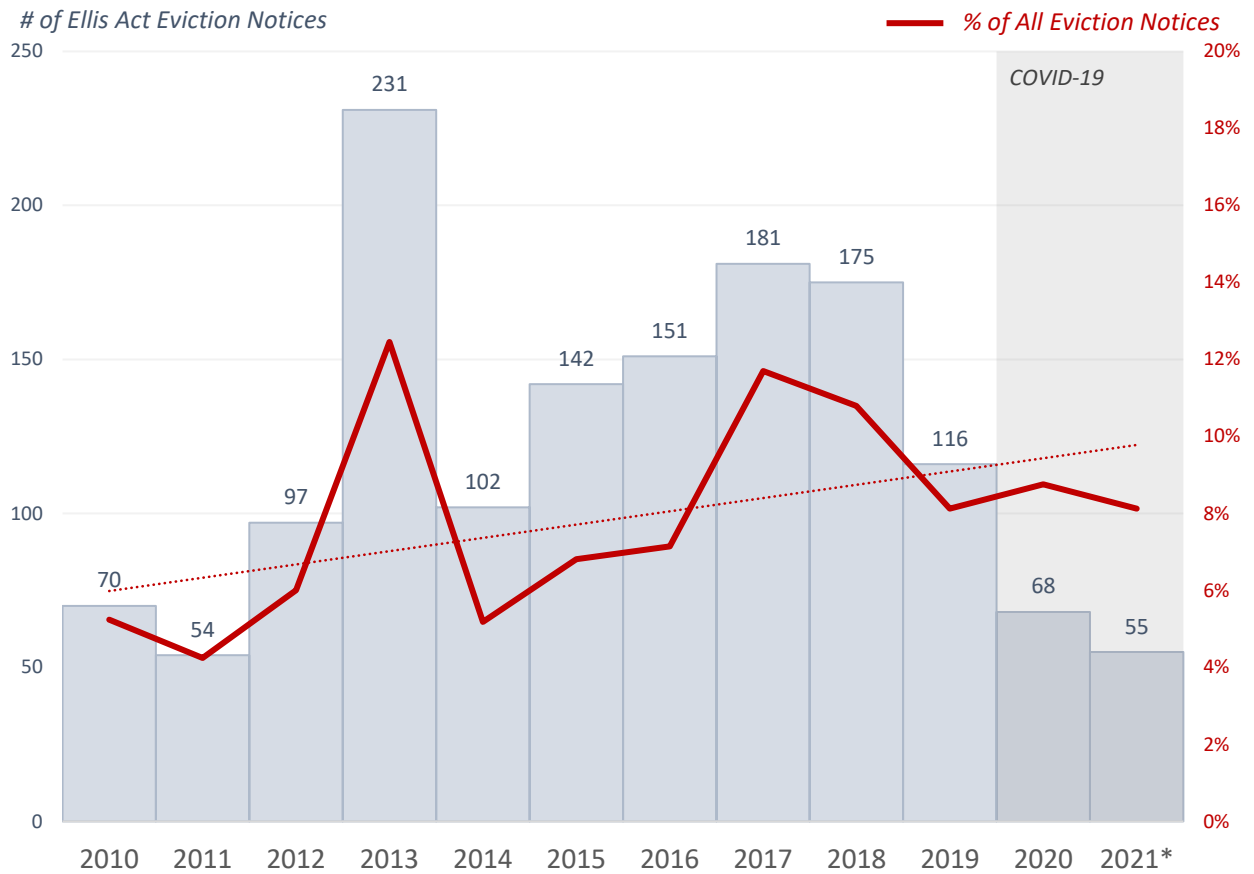
^b Amounts required are \$7,419.12 base, \$4,946.07 for elderly/disabled, and \$22,257.36 maximum, rounded for brevity.

^c Though relocation payments per unit are capped at \$22,257 for all households, there is no cap on the number of additional elderly/disabled tenant payments of \$4,946 that can be made to elderly or disabled tenants within a single unit.

Ellis Act Withdrawal Notices Trends

While Ellis Act eviction notices represented approximately 8.3 percent of all notices filed between 2010 and 2021 (as of August), or 1,442 notices, the number filed per year has fluctuated from 54 up to 231, as shown in Exhibit 5. However, the number of withdrawals generally increased from 2014 to 2018. Additionally, while eviction notices for other causes generally decreased from 2017 to 2019, the share of Ellis Act notices relative to all eviction notices stayed relatively constant at between 12 and 8 percent, respectively.

**Exhibit 5: Number and Percent of Ellis Act Eviction Notices in San Francisco
 2010-2021***



Source: San Francisco Rent Board (via DataSF)

*Includes data through September 2021

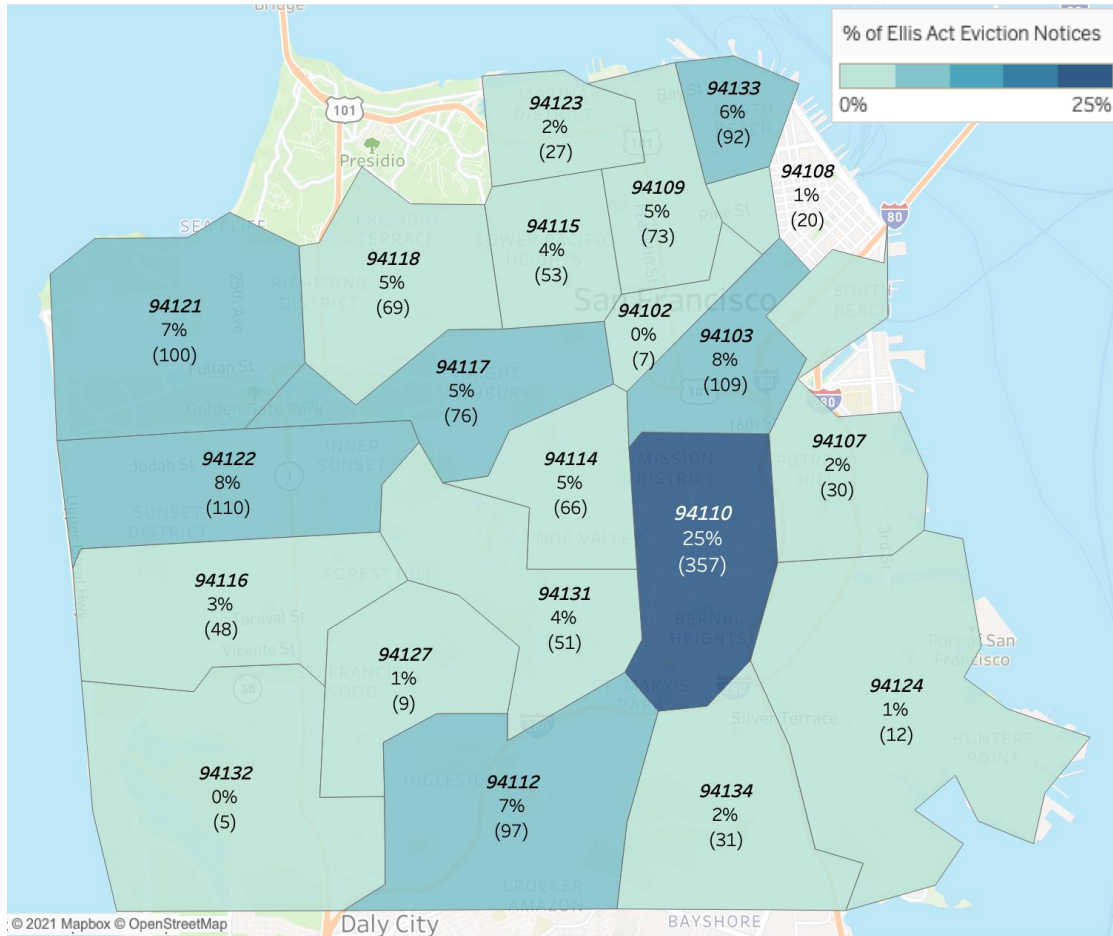
Notes: 2020 and 2021 presumed to be lower than prior years due to COVID-19 pandemic.

Trend line is based on line of best fit (R^2 or correlation factor = 0.22). Eviction notice numbers reported to DataSF differ slightly from numbers reported by the San Francisco Rent Board in its Annual Eviction Report. These differences are nominal and do not affect the trends shown above.

Data on the profile and characteristics of those evicted under the Ellis Act in San Francisco is limited. However, data from the Rent Board indicates that, from 2014 to 2021 only, 77 percent of Ellis Act notices (414 in total) included a request for an extension of the eviction timeline due to a tenant’s age or disability. This is likely an overestimate of the number of elderly and disabled tenants subject to an Ellis Act eviction as the landlord can challenge the extension request and presumably not all requests are granted. Further, there can be multiple units and tenants associated with each notice, some likely not seniors or disabled.

Ellis Act Withdrawal Notices were concentrated in the Mission neighborhood with more than one in five notices (21 percent) filed between 2010 and 2021, or 311 in total, associated with properties in this neighborhood. The Outer Richmond and Sunset/Parkside had the second and third highest share of Ellis Act notices with 7.6 percent (110) and 6.8 percent (98) of all Ellis Act Withdrawal Notices, respectively. Exhibit 6 below shows the geographic distribution of Ellis Act Withdrawal Notices by the subject property’s zip code.

Exhibit 6: Ellis Act Eviction Notices in San Francisco by Zip Code, 2010 – 2021*



Source: San Francisco Rent Board (via DataSF)

*Includes data through July 2021. Note that eviction notice numbers reported to DataSF differ slightly from numbers reported by the San Francisco Rent Board in its Annual Eviction Report. These differences are nominal and do not affect the trends shown above.

Ellis Act Eviction Notices in San Francisco by Zip Code, 2010 – 2021*

Ellis Act Eviction Notices		
Zip Code	% of Total	#
94102	0.5%	7
94103	7.6%	109
94107	2.1%	30
94108	1.4%	20
94109	5.1%	73
94110	24.8%	357
94112	6.7%	97
94114	4.6%	66
94115	3.7%	53
94116	3.3%	48
94117	5.3%	76
94118	4.8%	69
94121	6.9%	100
94122	7.6%	110
94123	1.9%	27
94124	0.8%	12
94127	0.6%	9
94131	3.5%	51
94132	0.3%	5
94133	6.4%	92
94134	2.1%	31
Total	100.0%	1,442

Source: San Francisco Rent Board (via DataSF)

*Includes data through July 2021. Note that eviction notice numbers reported to DataSF differ slightly from numbers reported by the San Francisco Rent Board in its Annual Eviction Report. These differences are nominal and do not affect the trends shown above.

2. Ellis Act Eviction Relocation Payments Analysis

Given the extent of Ellis Act withdrawals and their potentially significant impact on long-term rent-controlled tenants, we analyzed the extent to which relocation assistance payments paid by landlords cover relocation and other displacement costs faced by tenants.

Comparing Ellis Act Relocation Payments to Potential Relocation Costs

While the Ellis Act specifies that it does not prevent a locality from mitigating any adverse impact on tenants displaced due to a withdrawal of rental units,⁹ previous California Appeals Court rulings have overturned San Francisco ordinances which sought to increase relocation payments or tie these payments to differences between the tenant's current rent and the prevailing rent for a comparable unit over a two year period.¹⁰ In particular, the Court ruled that localities cannot impose financial payments or other requirements which act as a "prohibitive price" on a landlord's ability to exit the residential rental business.¹¹ Additionally, in a more recent ruling, the Court found that the City cannot require payment for the difference in rent faced by a rent-controlled tenant being evicted under the Ellis Act as the Court argued that this differential is the result of the City's rent control policies and not an owner's decision to exit the rental market.¹²

To analyze the potential adverse impact on tenants displaced by an Ellis Act withdrawal and whether current relocation payments sufficiently mitigate this impact, we compared potential short- and long-term relocation and displacement costs to current relocation payment amounts as set annually by the Rent Board.

In particular, we looked at the original types of relocation costs identified in the authoring legislation and updated these, including:¹³

- First and last month's rent
- Security deposit, equal to one month of rent
- Moving costs
- Lost wages while seeking housing and relocating

Using conservative estimates for costs associated with the move (we assumed relocating tenants earned minimum wage and lost only five days of pay), we then compared these costs to several rental housing scenarios based on the number of bedrooms, tenants, and household structure

⁹ California Government Code Section 7060.1(c)

¹⁰ Ordinance 54-14 (2014); Ordinance 68-15 (2015)

¹¹ *CCSF v. Coyne (2017)*; *Levin v. CCSF*

¹² *CCSF v. Coyne (2017)*

¹³ Ordinance No. 5-00 (File No. 992236), approved on January 14, 2000.

per unit type as well as a scenario for an elderly or disabled tenant facing an Ellis Act withdrawal notice. Exhibit 7 provides a summary of the costs, payments, and remaining payment amount by housing scenario and household structure. Our scenarios assume individuals facing an Ellis Act eviction would stay in San Francisco and face current average market rents.

As shown in Exhibit 7, relocation payments would be adequate for covering relocation costs for some evicted households but not all. In particular, relocation payments for tenants attempting to rent their own studio or one bedroom unit after eviction would not be sufficient. Tenants who share their housing unit with one or more other tenants, keep their household intact and move to a similar housing unit would be able to cover their relocation costs. Further, except for elderly or disabled tenants, relocation payments would cover less than a month's worth of additional rent payments for evicted tenants. The additional rent would range from \$974 to \$1,815 per month.

Exhibit 7: Comparison of Ellis Act Relocation Costs and Payments by Housing Scenario

Eviction Scenarios						
Scenario		1 Tenant in Studio	1 Tenant in 1 Bedroom	2 Tenants in 2 Bedroom (Stay Together)	2 Tenants in 2 Bedroom (Tenants do not Stay Together)	Elderly/ Disabled Tenant (Studio)
Household	<i>Before Eviction</i>	1 tenant	1 tenant	2 tenants	2 tenants	1 elderly tenant
	<i>After Eviction</i>	Same	Same	2 tenants move together	2 tenants move to own apts.	Same
Housing	<i>Before Eviction</i>	Studio	1 BR	2 BR	2 BR	Studio
	<i>After Eviction</i>	Studio (mkt. rate)	1 BR (mkt. rate)	2 BR (mkt. rate)	One tenant to mkt. rate 1 BR	Studio (mkt. rate)
Payments vs. Costs						
Relocation Payments						
Baseline for tenants		\$7,419	\$7,419	\$14,838	\$7,419	\$7,419
Elderly/ Disabled Additional Payment						\$4,946
Total Relocation Payment		\$7,419	\$7,419	\$14,838	\$7,419	\$12,365
Relocation Costs						
First & Last Month's Rent ^a		\$4,050	\$5,590	\$7,550	\$5,590	\$4,050
Security Deposit (1 month's rent) ^a		\$2,025	\$2,795	\$3,775	\$2,795	\$2,025
Moving Costs		\$851	\$851	\$1,092	\$851	\$851
Lost wages (5 days @ min. wage)		\$653	\$653	\$653	\$653	n.a.
Total Relocation Costs		\$7,579	\$9,889	\$13,069	\$9,889	\$6,926
Total Payment less Costs		(\$160)	(\$2,470)	\$1,769	(\$2,470)	\$5,439
Current rent		\$1,051	\$1,451	\$1,960	\$980	\$824
New rent ^a		\$2,025	\$2,795	\$3,775	\$2,795	\$2,025
Change/month		\$974	\$1,344	\$1,815	\$1,815	\$1,201
Months increased rent covered by relocation payments (after costs)		(0.16)	(1.84)	0.97	(1.36)	4.53

Source: BLA estimates, see Appendix A for more details.

^a Based on median market rent for housing with the specified number of bedrooms from Zumper.com as of October 23, 2021.

Exhibit 7 shows that an individual living alone in a studio or 1 bedroom unit who wanted to remain in the City would likely not receive sufficient financial assistance from current relocation payments to cover actual relocation costs. Based on our scenarios, an individual in a studio would incur additional costs of \$160 relative to relocation payments and an individual in a one bedroom would incur an additional \$2,470 in relocation costs above Ellis Act relocation payments received. Our scenarios for a two tenant household shows that relocation payments would cover the relocation costs identified if the tenants remained together and pooled their relocation payments to cover

the costs of moving to a market rate two bedroom unit. However, this scenario would leave little of the relocation funds to cover the expected increase in rent from leaving a rent-controlled unit. Further, if the two tenant household did not remain intact and instead one or more of the tenants moved to their own one bedroom unit, the relocation payments would not be sufficient to cover their relocation costs. Finally, if a senior or disabled tenant were evicted from a studio apartment and moved to a new market rate studio apartment, the relocation payments would be more than adequate to cover relocation costs and the increased cost of rent for 4.5 months.

We also ran these cost scenarios assuming larger households living in three- and four-bedroom units and found similar results. While adding additional tenants in these scenarios increases the net payment amount remaining after accounting for costs, these still only covered between 1.8 to 4.4 months of market rent after moving costs. And if a larger household breaks up, and any member attempts to rent a one bedroom unit at market rate, relocation payments would not be sufficient to cover their costs.

These scenarios also indicate that there may be incentives for larger households to find housing that is smaller than their previous housing in order to maximize the amount of rent the relocation payments would cover. Finally, given the relocation payment cap of \$22,257 per unit, units with more than three tenants receive less than the standard per tenant payment each. For example, a unit with four tenants would receive \$5,564.25 each versus the standard \$7,419 required, a 25 percent reduction. The unit relocation payment would continue to decrease for households with more than four tenants such as a larger and/or extended family.

The relocation costs included in our scenario also do not capture other common moving costs such as new utility hookups, purchase of new furniture or appliances, increased phone and internet costs, temporary housing costs, rental application fees, childcare costs associated with moving or relocation, or additional costs for commuting to work.

Buyout Agreement Pay Outs

Buyout agreement data provides another comparison for the adequacy of relocation payments. Exhibit 8 shows that the median buyout amount reported to the Rent Board per unit ranged from \$30,000 in 2015 to \$35,000 in 2021 (as of August 2021), and the median buyout per tenant was \$14,875 in 2015 and \$20,000 in 2021. Based on the 2021 buyout amounts, the Ellis Act relocation payments of \$12,365 for a senior or disabled tenant and \$7,419 for other tenants are 38 and 63 percent lower, respectively, than the \$20,000 median buyout amount per tenant in 2021 and 65 and 79 percent lower, respectively, than the \$35,000 buyout per unit. While these payments are influenced by a variety of factors, including negotiation leverage and unit type, they also reflect what some landlords are willing to pay to have tenants vacate a unit.

Exhibit 8: Buyout Agreement Amounts, 2015 – 2021*

	2015	2016	2017	2018	2019	2020	2021*	Total/ Avg.
Number of Buyouts/ Cases	195	318	334	377	365	334	206	2,129
Number of Tenants	398	612	626	691	684	634	382	4,027
Median Buyout Amount per Unit	\$30,000	\$30,000	\$32,000	\$30,000	\$35,000	\$32,250	\$35,000	\$31,736
Median Buyout Amount per Tenant	\$14,875	\$17,000	\$19,626	\$18,500	\$20,034	\$18,098	\$20,000	\$18,500
Total Buyout Amount	\$7,225,208	\$11,718,854	\$13,870,652	\$17,530,783	\$17,186,173	\$14,398,124	\$9,159,913	\$91,089,706

Source: San Francisco Rent Board (via DataSF)

* As of August 30, 2021

Impact of Increased Rent Following an Ellis Act Eviction

In addition to the immediate relocation costs associated with displacement due to an Ellis Act eviction, individuals in rent- and non-rent-controlled units would likely also face increased rents associated with a new tenancy. Our scenarios suggest that this impact could be significant, particularly for long-term elderly or disabled tenants on fixed incomes and lower income households with limited means to increase earnings. Based on available data on the median income of households with an individual over 65, the average San Francisco rent for a studio could result in these households paying 41 percent of their income towards housing per month.¹⁴ For disabled tenants unable to work and retired elderly tenants relying solely on Social Security benefits, the average rent for a studio in San Francisco would be unaffordable given average monthly benefit payments of \$1,262 and \$1,435, respectively.¹⁵ Based on current Ellis Act relocation payments for these groups and estimated relocation costs discussed above, these tenants would have around 4.5 months' worth of relocation payment funds remaining to cover the difference in market rent after their eviction.

This divergence is further increased by a failure to meet affordable housing production goals required by the state which increases market rents and housing prices for existing units due to a shortage of housing stock relative to demand. In a report from our office issued in January 2022¹⁶, we found that San Francisco is 10,617 units short of its state-required affordable housing goals

¹⁴ Based on U.S. Census 2019 American Community Survey (1-year estimates) estimates for median monthly household income with a householder aged 65 years and over in San Francisco County of \$4,855 (Table B19049).

¹⁵ Based on U.S. Social Security Administration estimates for the total number of payments and beneficiaries for San Francisco County in December 2019 from *OASDI Beneficiaries by State and County, 2019* (Accessed [online](#)).

¹⁶ "Residential Vacancies in San Francisco", Policy Analysis Report to Supervisor Dean Preston, San Francisco Budget and Legislative Analyst. January 31, 2022.

but has produced 6,000 units of market rate housing in excess of the state target. In 2020, only twenty percent of the 4,044 housing units added were affordable for very low, low, and moderate income households.

Exhibit 9 shows that going from the median current rent paid by renters in San Francisco in 2019 (the latest available) to average market rents in October 2021 could mean an almost doubling of monthly rent costs (93 percent increase). For an elderly tenant, this could mean a rent increase of almost two and half times, or 146 percent.¹⁷ This increase could mean an additional \$974 a month for an individual in a studio up to an additional \$2,693 per month for four individuals in a four-bedroom unit. For a single elderly tenant in a studio, the increase could mean an additional \$1,201 in rent per month. These estimates are likely conservative given that the current rent estimate includes newer and longer-term tenants as well as rent-controlled and non-rent controlled units.

Exhibit 9: Estimated Cost of Increased Rent Following an Ellis Act Eviction by Scenario

	# of bedrooms					Elderly (Studio)
	Studio	1 bed	2 beds	3 beds	4 beds	
Current Rent ^a	\$1,051	\$1,451	\$1,960	\$2,427	\$2,907	\$824
Market Rent ^b	\$2,025	\$2,795	\$3,775	\$4,675	\$5,600	\$2,025
Difference in Rent (monthly cost)	\$974	\$1,344	\$1,815	\$2,248	\$2,693	\$1,201
Difference in Rent (annual cost)	\$11,686	\$16,130	\$21,786	\$26,980	\$32,318	\$14,412
Difference in Rent (% increase)	93%	93%	93%	93%	93%	146%

Source: BLA estimates, see Appendix A for more details.

Notes: ^a Current rent is based on the median gross rent for San Francisco County from the U.S. Census Bureau's American Community Survey 2019 1-year estimates. Rents by bedroom size were estimated using the ratio of total average market rent to average market rent by number of bedrooms. Elderly tenant rent was based on ACS data for renters over 65 years of age.

^b Market rent is based on the average rent reported by apartment list company Zumper.com for October 2021.

We also reviewed the adjustment for the cost of housing allowed by the City's Rent Ordinance used to increase the relocation payments annually. The Rent Ordinance specifies that the relocation payments be updated annually using the Consumer Price Index for the rent of a primary residence for the San Francisco Metropolitan Statistical Area (MSA). We found this measure was largely in line with changes in rent and other housing costs from other sources.

¹⁷ Median rent for elderly tenants (65 and over) was estimated as \$824 per month according to the U.S. Census Bureau's 2019 American Community Survey (1-year estimates).

Additional Adverse Impacts not Quantified

Based on discussions with tenants' rights' organizations and legal defense organizations who provide representation for tenants subject to an eviction notice, there are additional adverse impacts from an Ellis Act withdrawal. These can include the loss of long-established community and health support systems for elderly or disabled tenants, which can be particularly difficult for non-native English speakers. Additionally, families with children may elect to have children remain with other relatives in the City while parents move to cheaper housing elsewhere in the Bay Area in order to preserve access to City schools and education resources. Based on anecdotal observations, many of these adverse impacts were driven by the high cost of rental housing in the City. While these impacts are difficult to quantify empirically, their impact could be significant in terms of the mental wellbeing of the individuals and households affected.

3. Ellis Act Property Sales Analysis

Analysis of Property Sales after an Ellis Act Withdrawal

For this analysis of sales of properties for which Ellis Act Withdrawal Petitions had been filed with the Rent Board, we combined data from the County's Assessor-Recorder's Office (Assessor's Office) on property transfers and from the annual Secured Property Rolls with San Francisco Rent Board data on Ellis Act petitions filed between 2014 and 2021. This approach allowed us to provide a comprehensive picture of the disposition of all properties where an Ellis Act withdrawal was initiated.

Overview of Methodology and Caveats

While the San Francisco Rent Board collects and publishes data on the number of Ellis Act Withdrawal Petitions received and de-identified address data¹⁸, we do not believe analyses have been conducted on the long-term financial status of these properties. We conducted two analyses of these properties for this purpose. First, we compared before and after assessed valuations of all properties for which Ellis Act Withdrawal Petitions were filed. Second, we analyzed changes in assessed valuations and sales prices for properties for which Ellis Act Withdrawal Petitions were filed and the properties were subsequently sold.

Assessed valuation data was obtained from the Assessor-Recorder Office's records. To estimate the gross profits from the sale of a property following an Ellis Act withdrawal, we combined data

¹⁸ The Rent Board publishes the block address rather than specific address for properties for which Ellis Act Withdrawal Petitions have been filed.

from the Assessor-Recorder's Office on transfers of ownership and Secured Property Rolls with Rent Board data to identify properties that were sold after an Ellis Act withdrawal between 2014 and 2021. We then compared the sale price immediately after an Ellis Act withdrawal to the property's most recent prior purchase price. If we were unable to determine the initial sale price from the Assessor's Transfer List data (i.e. a transfer before 2011), we used the total assessed value of the property from the FY 2010-11 Secured Property Roll. Given the 2 percent annual cap on assessed value increases due to California's Proposition 13, we assume this is a reasonable proxy for the original purchase price, adjusted for inflation.

The main data sources we used included:

- San Francisco Rent Board Ellis Act Withdrawal Petitions (or "Notice of Intent to Withdraw") from January 1, 2014 to July 31, 2021.
- San Francisco Assessor-Recorder's Office Two-Year Transfer List covering transfers (change of ownership) recorded from January 1, 2012 to June 30, 2021, collected under California Revenue and Taxation Code Sec. 408.1. Note: This does not include partial interest transfers such as sale of a single unit in a Tenancy-in-Common (TIC) or other partial interest transfers.
- San Francisco Assessor-Recorder's Office Secured Property Roll data for 2010-11 and 2020-21 closed rolls.
- San Francisco Assessor-Recorder's Office recorded Notice of Constraints from January 1, 2014 to August 31, 2021. Notices of Constraints are formal documents recorded against a property by the Rent Board to memorialize the Ellis Act re-rental limitation timeframes and rental amount constraints. Notice of Constraints are also recorded for Owner Move-In evictions.

Overall, we were able to match 93 percent of the Rent Board Ellis Act Withdrawal Petitions to Notice of Constraints information (502 of 536 Petitions). Of these 502, 499 were subsequently matched to either the Assessor-Recorder's Secured Property Roll data for FY 2010-11 or 2020-21 or the Two-Year Transfer Lists from January 2012 to June 2021 for sales price information for the properties from before and after the Ellis Act Withdrawal.

The major limitations and assumptions of our approach include:

- Partial transfers, such as Tenancy-in-Common transfers, are not captured in our pre- vs. post-Ellis sales estimates. Given the frequent creation of TICs following an Ellis Act withdrawal and significant value added, this could mean the estimates below are lower than in actuality.
- Any costs to renovate or otherwise make a property available for sale and any purchase/sale costs are not included in the estimates of gross profits. We strictly looked

at the change in price of the property based on the transfers before and after an Ellis Act Withdrawal.

- Properties that were sub-divided or merged after the Ellis Act Withdrawal but before their subsequent sale (i.e., where new Assessor's Parcel Numbers (APNs) were created) may not be captured in our analysis as we relied on the address (and APN) at the time of the Ellis Act withdrawal.
- We assume all full-interest transfers, i.e., transfers where all units in a property are being sold, are captured and accurately reported in the Two-Year Transfer List reports.
- We assume agreements related to a property sale outside of the formal reported sale price are not captured in our estimates (i.e., any legal or illegal side agreements made between a property seller and buyer).

See Appendices A and B for a more detailed discussion of the methodology used and caveats and the previous analysis conducted by the Budget and Legislative Analyst on this topic.

Characteristics of Properties with Ellis Act Withdrawals between 2014 and 2021

By combining data from the Assessor Office's Secured Property Rolls with Ellis Act Withdrawal Petitions, we were able to provide characteristic information about these properties, including the number of units impacted, use and class type and how these have changed after an Ellis Act Withdrawal Petition. As shown in Exhibit 10 below, we identified matching Notice of Constraints records for 502 Ellis Act petitions that were filed with the Rent Board on 377 properties composed of 864 units in total, or around 2.4 units per property, between 2014 and 2021.¹⁹ Just above half (54 percent) of the properties were multi-unit buildings composed of flats and duplexes or apartments, but these represented 79 percent of all units withdrawn (678 in total). The remaining units were primarily in single unit dwellings or single family residences (40.6 percent of properties and 17.8 percent of units). The majority of Ellis Act properties tended to be older with an average construction date of 1912.

¹⁹ Some properties have more than one petition as an owner might have decided to rescind the petition rather than go through with the Ellis Act withdrawal, then subsequently filed a petition again.

**Exhibit 10: Selected Characteristics of Properties with an Ellis Act Withdrawal from
2014 – 2021***

Pre-Ellis Withdrawal Use/ Class Type	# of Petitions	# of Properties	% of Properties	Total # of Units (2011-12)	Total # of Units (2020-21)	Avg. # of Units (2011-12)	Avg. Year Built
Dwelling/ Single Family Residence	195	153	40.6%	153	154	1.0	1929
Flats & Duplex	193	146	38.7%	362	359	2.5	1890
Apartment	86	57	15.1%	316	311	5.5	1922
Flat & Store	12	9	2.4%	30	30	3.3	1912
Condominium	2	1	0.3%	1	1	1.0	1924
Dwellings - Apartments	1	1	0.3%	2	2	2.0	1900
No 2011-12 Use Data	13	10	2.7%		7		1938
All Ellis Withdrawals	502	377	100.0%	864	864	2.4	1912

Source: BLA Estimates based on Assessor-Recorder's Office Quarterly Transfers, Secured Property Rolls data for 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the 2011-12 Secured Property Rolls for pre-Ellis Withdrawal information and compared this to 2020-21 Secured Property Rolls Data (i.e., most recent available) for post-Ellis Withdrawal information.

Changes in Assessed Value of Properties withdrawn from the Rental Market under the Ellis Act

Comparing Secured Property Roll data for the 377 properties withdrawn under the Ellis Act between 2014 and 2021 shows a significant increase in Assessed Value from Fiscal Year 2011-12 to 2020-21. Under current state law (Proposition 13), residential assessed value increases are capped at 2 percent per year unless there is a significant renovation of the property or a change in ownership (i.e., a sale or transfer). Exhibit 11 below shows that the median assessed value for Ellis Act withdrawal properties has more than tripled over the past decade from \$300,191 to \$970,883, or by 223.4 percent. Applying the two percent annual increases allowed for residential properties would result in a FY 2020-21 assessed value of \$369,931, substantially less than the \$970,883 value for these properties in FY 2020-21. The magnitude of the change in assessed value for the properties reviewed indicates that many Ellis Act properties withdrawn were renovated, sold, or otherwise changed ownership over this period. For comparison, Zillow reports an increase in home values in San Francisco of approximately 116 percent between 2011 and 2021, or nearly half the rate of increase of the properties for which Ellis Act Withdrawal Petitions were filed.²⁰

²⁰ Zillow Home Value Index, for all homes (single family and condos/ coops) from Dec 2011 to October 2021 (<https://www.zillow.com/san-francisco-ca/home-values/>)

The next section discusses the timing and gross profits from these changes in ownership relative to Ellis Act petitions.

Exhibit 11: Increases in Assessed Value for Properties with an Ellis Act Withdrawal Petition Filed between 2014 and 2021*

Pre-Ellis Withdrawal Use/ Class Type	# of Properties	Total # of Units (2011-12)	Total # of Units (2011-12)	Avg. # of Units (2011-12)	Median Assessed Value (2011-12)	Median Assessed Value (2020-21)	Percentage Change
Dwelling/ Single Family Residence	153	153	154	1.0	\$300,280	\$647,610	115.7%
Flats & Duplex	146	362	359	2.5	\$262,570	\$1,359,182	417.6%
Apartment	57	316	311	5.5	\$380,431	\$1,894,256	397.9%
Flat & Store	9	30	30	3.3	\$187,525	\$231,998	23.7%
Condominium	1	1	1	1.0	\$325,005	\$1,224,000	276.6%
Dwellings - Apartments	1	2	2	2.0	\$139,909	\$163,885	17.1%
No 2011-12 Use Data	10		7			\$832,320	NA
All Ellis Withdrawals	377	864	864	2.4	\$300,191	\$970,883	223.4%

Source: BLA Estimates based on Assessor-Recorder’s Office Quarterly Transfers, Secured Property Roll data for FYs 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the FY 2011-12 Secured Property Rolls\ for pre-Ellis Withdrawal information and compared this to FY 2020-21 Secured Property Roll Data (i.e. most recent available) for post-Ellis Withdrawal information.

Additionally, 16.2 percent of the 377 properties with an Ellis Act withdrawal from 2014 to 2021 (61 in total) had a change in use or class type between 2011-12 and 2020-21, according to the Assessor-Recorder’s Secured Property Roll data. Of these, almost a third (29.5 percent or 18 properties) appear to have been converted to Tenancies-in-Common, a form of shared ownership which, unlike condominiums, does not usually require Board of Supervisors approval before conversion.

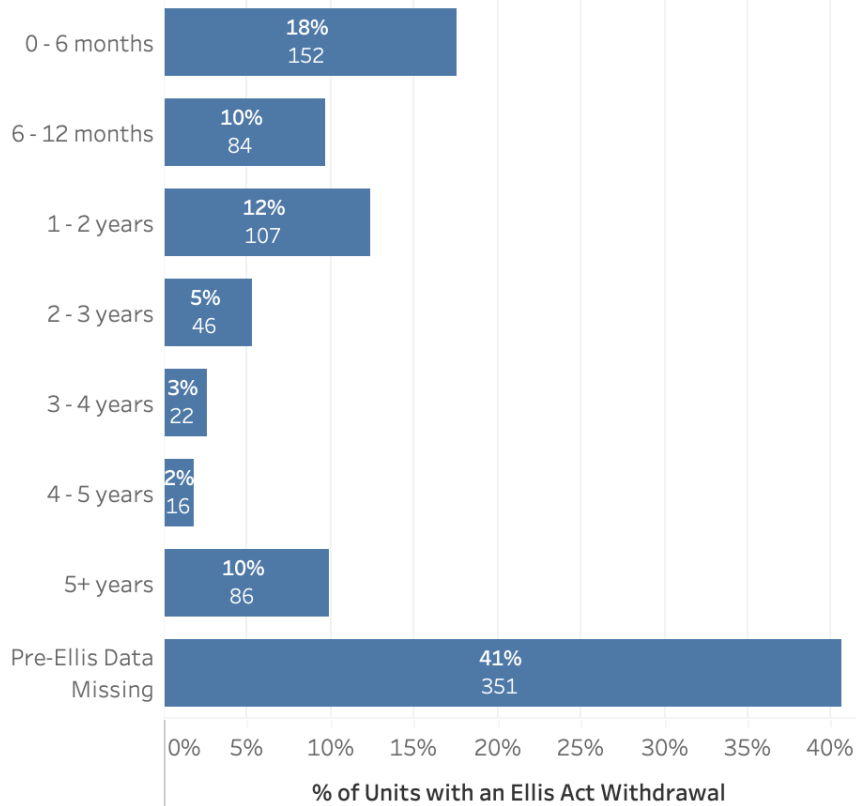
Length of Ownership Prior to Ellis Act Withdrawal

Of the 864 units for which Ellis Act Withdrawal Petitions were filed between 2014 and 2021, we found that around 18 percent of those with records available were filed within 6 months of purchase and, cumulatively, 28 percent (slightly more than 1 in 4) were filed within one year of purchase. While the Ellis Act does not place any time restrictions on when a landlord can choose to withdraw from the rental market after purchasing a rental property, the short time span between purchase and Ellis Act evictions for this 28 percent of the properties reviewed could indicate that these buildings were purchased with the express intent of removing the property from the rental market. Overall, for just the 513 housing units for which records were available, 191, or approximately 37 percent, were owned for more than one but less than five years before

an Ellis Act petition was filed. Approximately 41 percent of the 864 units for which Ellis Act Withdrawal Petitions were filed had an unknown or undetermined length of ownership due to missing data. It is likely that a large share of properties with missing data were owned for more than one year before an Ellis Act withdrawal.

Exhibit 12: Length of Ownership Prior to Ellis Act Withdrawal, 2014 – 2021*

% of Units by Length of Ownership prior to Ellis Act Withdrawal Petition



Source: BLA Estimates based on Assessor-Recorder’s Office Quarterly Transfers, Secured Property Roll data for 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions.

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the FY 2011-12 Secured Property Roll for Pre-Ellis Withdrawal information and compared this to 2020-21 Secured Property Roll Data (i.e., most recent available).

Change in Assessed Value of Properties Sold Following an Ellis Act Withdrawal

Overall, we found that 59 out of 377 properties, or approximately 16 percent of properties that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021, had been subsequently sold as of June 2021.²¹ This represents 135 units.

Overall, the median assessed value of these 59 properties that had an Ellis Act Withdrawal Petition filed and were subsequently sold increased by approximately \$1.4 million from \$299,470 to \$1,690,650 between FY 2011-12 and FY 2020-21. This is more than a five-fold increase over the period, or 464.5 percent, and more than twice the already high 223.4 percent change in assessed value of all 377 properties with an Ellis Act withdrawal between FYs 2011-12 and 2020-21. On a per unit basis, the *average* change in assessed value over this period for 59 properties withdrawn under the Ellis Act and subsequently sold was \$769,544. Exhibit 13 below provides a breakdown of the change in assessed value for these properties by property use/class type. Overall, approximately 28 percent of these properties and 40 percent of associated units were withdrawn from the rental market under the Ellis Act within one year of their purchase. Additionally, 94 of the units that were sold following an Ellis Act withdrawal (70 percent) had a request for extended time to vacate on the basis of the tenant being elderly or disabled.

²¹ There were only 7 properties with 9 Ellis Act Withdrawal Petitions for January to July 2021 in the matched dataset.

**Exhibit 13: Change in Assessed Value for Properties with an Ellis Act Withdrawal
Petition between 2014 – 2021 and Sold by June 2021 ***

Use/ Class Type	# of Properties	# of Units	Median Assessed Value (2011-12)	Median Assessed Value (2020-21)	Chg. In Median AV (2010-11 to 20-21)	Avg. Chg. In AV per Unit	% Chg. in Median AV per Property
Post-Ellis Withdrawal Transfer/ Sale							
Dwelling/ Single Family Residence	28	28	\$238,323	\$1,102,610	\$864,287	\$1,143,297	362.7%
Flats & Duplex	21	54	\$349,097	\$1,836,000	\$1,486,903	\$787,012	425.9%
Apartment	9	53	\$380,431	\$3,468,000	\$3,087,569	\$554,292	811.6%
No Use Data	1	-	-	\$832,320	-	NA	NA
Total	59	135	\$299,470	\$1,690,650	\$1,391,181	\$769,544	464.5%
All Ellis Act Properties	377	864	\$300,191	\$970,883	\$670,692	\$387,433	223.4%

Source: BLA Estimates based on Assessor-Recorder's Office Quarterly Transfers, Secured Property Rolls data for 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions. Assessor-Recorder valuations are as of January 1st of each year, i.e. January 1st, 2012 for 2011-12 and January 1st 2021, for FY 2020-21.

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the FY 2011-12 Secured Property Roll for Pre-Ellis Withdrawal information and compared this to the FY 2020-21 Secured Property Roll Data (i.e., most recent available).

While the change in assessed value of properties with an Ellis Act withdrawal between 2014 and 2021 provides an approximation of the change in market value for properties that were sold, it may not provide the most accurate estimate of gross profits following an Ellis Act withdrawal. In particular, though it indicates that these properties are generally high value assets, the change in assessed value could include additional transfers that occurred after the Ellis Act withdrawal²² and other improvements or renovations completed after a withdrawal, both of which can increase a property's assessed value beyond the statutory two percent per year increase allowed in California. To better isolate the proceeds resulting from a sale after an Ellis Act withdrawal, we used data from the Assessor's Office on property transfers, or sales, from January 2012 to June 2021. This data only includes transfers where the full property interest was transferred; it does not include sales of parts of a Tenancies-in-Common or other partial interest transfers.

²² Available records only cover the most recent sale.

Of the 59 properties with a post-Ellis sale or transfer, we were able to identify the pre- and post-Ellis Act Withdrawal sale price for a subset of 38 properties, consisting of 73 units, to estimate the gross profits following a Withdrawal Petition. Exhibit 14 shows that the median change in price following an Ellis Act withdrawal was \$949,688 per property or \$429,000 per unit. The range in price change per property was as little as \$6,000 to a maximum of \$5.73 million, however 75 percent of properties had a change in price of \$445,400 or more (\$325,679 per unit). These estimates do not take into account the cost of any renovations prior to sale or taxes paid on the sale proceeds. The current maximum Ellis Act relocation payment per unit of \$22,257 represents 5.2 percent of the median change in price per unit. However, if there were additional elderly or disabled tenants in a unit, the relocation payment required would increase by \$4,946 per elderly/disabled tenant (1.1 percent of the median change in price per unit).

Exhibit 14: Gross Profits/ Change in Sales Price for Properties with an Ellis Act Withdrawal Petition, 2014 – 2021*

Use/ Class Type	# of Properties	Change in Price Following an Ellis Act Withdrawal ^a			
		Median Change in Price	# of Units	Median Chg. In Price Per Unit	Max. Ellis Act Relocation Payment per Unit ^b
Flats & Duplex	12	\$1,268,936	26	\$454,090	\$22,257
Apartment	4	\$2,144,687	25	\$388,842	\$22,257
Dwelling/ Single Family Residence	22	\$708,909	22	\$708,909	\$22,257
Total	38	\$949,688	73	\$429,000	\$22,257

Source: BLA Estimates based on Assessor-Recorder’s Office Quarterly Transfers, Secured Property Roll data for 2011-12 and 2020-21, and San Francisco Rent Board Ellis Act Withdrawal Petitions.

* Properties included are those that had an Ellis Act Withdrawal Petition filed between January 2014 and July 2021. To provide a comprehensive assessment of changes in use type, we used data from the 2011-12 Secured Property Roll for Pre-Ellis Withdrawal information and compared this to FY 2020-21 Secured Property Roll Data (i.e. most recent available).

^a For a number of properties, the initial purchase prior to the Ellis Act withdrawal occurred before transfer data was regularly reported. For these properties, we have instead used the property’s assessed value listed in the FY 2011-12 Secured Property Roll as a proxy given Proposition 13’s two percent cap on annual assessed value increases from the base assessed value (i.e. sale price at last change of ownership or major renovation).

^b Does not include additional payments for elderly/disabled tenants. Each additional elderly/disabled tenant above the per unit relocation payment maximum of \$22,257 would add an additional \$4,946 (e.g. three individuals plus one elderly/disabled tenant would result in a relocation payment of \$27,203, two elderly disabled tenants would be \$32,150).

Appendix A: Ellis Act Property Sales Analysis Methodology

In 2014, our office analyzed a randomly selected sample of 15 properties that had been withdrawn under the Ellis Act and later sold by the property owner to understand the gross profits generated. At that time, we found that, among the sample, properties sold after an Ellis Act eviction generated an average of \$1,545,949 in gross profits, or an increase of 116 percent from the original purchase price. Gross profits ranged from -\$278 to \$4,785,522 per property. The median period between sales for the properties analyzed was 3.4 years. Gross profits were calculated using inflation-adjusted purchase and sale prices. The sample of properties was small and, as a result, the estimates presented could have been prone to distortions from outlying data. The data also didn't cover all properties that had an Ellis Act withdrawal over the time period.

While the San Francisco Rent Board collects and publishes data on the number of Ellis Act Withdrawal Petitions received and de-identified address data²³, we do not believe analyses have been conducted on the long-term financial status of these properties. To estimate the gross profits from the sale of a property following an Ellis Act withdrawal, we combined data from the Assessor-Recorder's Office on transfers of ownership and Secured Property Rolls with Rent Board data to identify properties that were sold after an Ellis Act withdrawal. We then compared the sale price immediately after an Ellis Act withdrawal to the property's most recent purchase price. If we were unable to determine the initial sale price from the Assessor's Transfer List data (i.e. a transfer that occurred before 2011), we used the total assessed value of the property from the FY 2010-11 Secured Property Roll. Given the 2 percent cap on assessed value increases due to California's Proposition 13, we assume this is a reasonable proxy for the original purchase price, adjusted for inflation.

The main data sources we used included:

- San Francisco Rent Board Ellis Act Withdrawal Petitions (or "Notice of Intent to Withdraw") from January 1, 2014 to July 31, 2021.
- San Francisco Assessor-Recorder's Office Two-Year Transfer List covering transfers (change of ownership) recorded from January 1, 2012 to June 30, 2021, collected under California Revenue and Taxation Code Sec. 408.1. This does not include partial interest transfers such as sale of a single unit in a Tenancy-in-Common (TIC) or other partial interest transfers.
- San Francisco Assessor-Recorder's Office Secured Property Rolls data for 2010-11 and 2020-21 closed rolls.

²³ The Rent Board publishes the block address rather than specific address for properties for which Ellis Act Withdrawal Petitions have been filed.

- San Francisco Assessor-Recorder’s Office recorded Notice of Constraints from January 1, 2014 to August 31, 2021. Notice of Constraints are formal documents recorded against a property by the Rent Board to memorialize the Ellis Act re-rental time and rental amount constraints. Notice of Constraints are also recorded for Owner Move-In Evictions.

Overall, we were able to match 93 percent of the Rent Board Ellis Act Withdrawal Petitions to Notice of Constraints information (502 of 536 Petitions). Of these 502, 499 were subsequently matched to either the Assessor-Recorder’s Secured Property Roll data for 2010-11 or 2020-21 or the Two-Year Transfer Lists from January 2012 to June 2021 for sales price information for the properties from before and after the Ellis Act Withdrawal. Additionally, to confirm the validity and accuracy of the sales dates included in Exhibit 14, we did a search of the 38 properties with a transfer identified to confirm the purchase date and amount using online property search websites such as Zillow and Redfin and the County’s Property Information Map application.²⁴ Additional information on the matching and analytical methods used are available upon request.

The major limitations and assumptions of our approach include:

- Not all Ellis Act Withdrawal Petitions result in an actual Ellis Act eviction. It is possible some Ellis Act Withdrawal Petitions were rescinded and separate buyout agreements were reached which lead to a tenant vacating the property. Additionally, some property owners may have rescinded their Withdrawal Petition and waited for tenants to vacate on their own before selling a property.
- Partial transfers, such as Tenancy-in-Common transfers, are not captured in our pre- vs. post-Ellis sales estimates. Given the frequent creation of TICs following an Ellis Act withdrawal and significant value added, this could mean the estimates below are lower than in actuality.
- Any costs to renovate or otherwise make a property available for sale and any purchase/sale costs are not included in the estimates of gross profits. We strictly looked at the change in price of the property based on the transfers before and after an Ellis Act Withdrawal.
- Properties that were sub-divided or merged after the Ellis Act Withdrawal but before their subsequent sale (i.e. where new Assessor’s Parcel Numbers (APNs) were created) may not be captured in our analysis as we relied on the address (and APN) at the time of the Ellis Act withdrawal.
- We assume all full-interest transfers, i.e. transfers where all units in a property are being sold, are captured and accurately reported in the Two-Year Transfer List reports.

²⁴ <https://sfplanninggis.org/pim/>

- We assume agreements related to a property sale outside of the formal reported sale price are not captured in our estimates (i.e. legal or illegal side agreements made between a property seller and buyer).

Appendix B: Ellis Act Relocation Payments Analysis Methodology

In order to assess the potential adequacy of Ellis Act Relocation Payments we produced a number of different housing and household scenarios to understand how relocation costs might differ compared to city-mandated payments. In particular, we modelled the following relocation cost and payment scenarios:

1. One tenant in a studio apartment;
2. One tenant in a one-bedroom unit;
3. Two tenants in a two-bedroom unit, who remain in the same housing unit after the Ellis Act eviction;
4. Two tenants in a two-bedroom unit, who move into separate housing units after the Ellis Act eviction;
5. One elderly or disabled tenant in a studio.

As shown in Exhibit B1, we also modelled additional scenarios including additional bedrooms and tenants to assess how these scenarios differed from those listed above.

Exhibit B1: Comparison of Ellis Act Relocation Costs and Payments by Housing Scenario

	<i># of bedrooms (# of tenants)</i>					<i>Elderly (Studio) (1)</i>
	<i>Studio (1)</i>	<i>1 bed (1)</i>	<i>2 beds (2)</i>	<i>3 beds (3)</i>	<i>4 beds (4)</i>	
Relocation Costs						
First & Last Month's Rent ^a	\$4,050	\$5,590	\$7,550	\$9,350	\$11,200	\$4,050
Security Deposit (1 month's rent) ^a	\$2,025	\$2,795	\$3,775	\$4,675	\$5,600	\$2,025
Moving Costs	\$851	\$851	\$1,092	\$1,367	\$1,614	\$851
Lost wages (5 days @ min. wage)	\$653	\$653	\$653	\$653	\$653	
Total Relocation Costs	\$7,579	\$9,889	\$13,069	\$16,045	\$19,067	\$6,926
Relocation Payments						
Standard	\$7,419	\$7,419	\$14,838	\$22,257	\$22,257	\$7,419
Elderly/ Disabled Payment						\$4,946
Total Relocation Payment	\$7,419	\$7,419	\$14,838	\$22,257	\$22,257	\$12,365
Payments vs Costs						
Total Payment - Total Costs	(\$160)	(\$2,470)	\$1,769	\$6,212	\$3,191	\$5,439
# of Months of Market Rent Covered (Gross)	3.7	2.7	3.9	4.8	4.0	6.1
# of Months of Market Rent Covered (after relocation costs) ^a	(0.1)	(0.9)	0.5	1.3	0.6	2.7

Source: BLA estimates, see Appendix A for more details.

^a Based on median market rent for housing with the specified number of bedrooms from Zumper.com as of October 23, 2021.

The relocation costs used for these scenarios were identified from the most recent ordinance passed by the Board of Supervisors to increase the Ellis Act relocation payment.²⁵ The sources for these costs are set out below:

- **First and Last Month's Rent:** first and last month's rent usually required as part of a new rental agreement. Based on median market rent for housing with the specified number of bedrooms from Zumper.com as of October 23, 2021.
- **Security Deposit:** security deposit for new housing, based on one month's rent using median market rent specified above.
- **Moving Costs:** based on the U.S. Department of Transportation's Fixed Residential Moving Cost Schedule for California that was effective August 24, 2015. This schedule sets out the relocation costs that can be reimbursed by the federal government for federal employee relocation. The schedule includes relocation costs (i.e. cost of movers, etc.)

²⁵ Ordinance No. 5-00 (File No. 992236), approved on January 14, 2000.

based on the number of bedrooms. In order to account for changes in the cost of goods and services since these estimates were published, the estimates were inflated using the change in the Bureau of Labor Statistics' Consumer Price Index from January 2015 to September 2021.²⁶

- **Lost Wages:** based on five days of lost wages associated with searching for a new housing and relocation at San Francisco's minimum wage of \$16.32 per hour.²⁷

While other costs associated with relocation were identified in the original ordinance mentioned above and during our review, these were not included due to the difficulty of placing a specific monetary value on them (i.e. new utility connections, temporary housing (if needed), disruptions and/or increased costs associated with childcare, school, health support systems, etc.).

The relocation payment amounts were determined based on the San Francisco Rent Board's annual schedule published pursuant to Ordinance Section 37.9A.²⁸

²⁶ See: https://www.fhwa.dot.gov/real_estate/uniform_act/relocation/moving_cost_schedule_2015.cfm

²⁷ Effective 7/1/21 to 6/30/22 (<https://sfgov.org/olse/minimum-wage-ordinance-mwo>)

²⁸ See information on the SF Rent Board's website [here](#).

From: [BOS Legislation, \(BOS\)](#)
To: [Major, Erica \(BOS\)](#)
Subject: FW: San Francisco Ordinance - File No. 220341
Date: Tuesday, May 24, 2022 1:39:57 PM
Attachments: [SPOSFI Letter re File No. 220341.pdf](#)

From: Justin Goodman <justin@zfplaw.com>
Sent: Tuesday, May 24, 2022 1:37 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; BOS Legislation, (BOS) <bos.legislation@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Cc: ChanStaff (BOS) <chanstaff@sfgov.org>; DorseyStaff (BOS) <DorseyStaff@sfgov.org>; MandelmanStaff, [BOS] <mandelmanstaff@sfgov.org>; Mar, Gordon (BOS) <gordon.mar@sfgov.org>; MelgarStaff (BOS) <melgarstaff@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; Preston, Dean (BOS) <dean.preston@sfgov.org>; Ronen, Hillary <hillary.ronen@sfgov.org>; Safai, Ahsha (BOS) <ahsha.safai@sfgov.org>; Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; Walton, Shamann (BOS) <shamann.walton@sfgov.org>
Subject: San Francisco Ordinance - File No. 220341

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

Dear Supervisors Chan, Dorsey, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton:

Please see the attached letter from the Small Property Owners of San Francisco Institute, concerning File No. 220341.

Thank You,

--

Justin A. Goodman
Zacks, Freedman & Patterson, PC
601 Montgomery Street, Suite 400
San Francisco, CA 94111
Telephone: [\(415\) 956-8100](tel:(415)956-8100)
Facsimile: [\(415\) 288-9755](tel:(415)288-9755)
www.zfplaw.com

Zacks, Freedman & Patterson proudly announces the opening of two additional offices, one in the East Bay and one in Monterey Bay. Please see our [website](#) for further details.

This communication and its contents may contain confidential and/or privileged material for the sole use of the intended recipient. Any review or distribution by others is strictly prohibited. If you are not the intended recipient, please contact the sender and delete all copies. Unless expressly stated, nothing in this communication should be regarded as tax

advice.



The SPOSF Institute

THE SMALL PROPERTY OWNERS OF SAN FRANCISCO INSTITUTE

P.O. Box 170669 • San Francisco, CA 94117-0669 • (415) 647-2419 • SPOSF@smallprop.org • www.smallprop.org

May 24, 2022

San Francisco Board of Supervisors
c/o Angela Calvillo, Clerk of Board
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102
Board.of.Supervisors@sfgov.org
bos.legislation@sfgov.org
bos@sfgov.org
ChanStaff@sfgov.org
DorseyStaff@sfgov.org
Mandelmanstaff@sfgov.org
Gordon.Mar@sfgov.org
MelgarStaff@sfgov.org
Aaron.Peskin@sfgov.org
Dean.Preston@sfgov.org
Hillary.Ronen@sfgov.org
Ahsha.Safai@sfgov.org
Catherine.Stefani@sfgov.org
Shamann.Walton@sfgov.org

VIA US MAIL AND EMAIL

Re: San Francisco Ordinance - File No. 220341

Dear Supervisors Chan, Dorsey, Mandelman, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton:

The San Francisco Small Property Owners of San Francisco Institute (“SPOSFI”) writes to oppose Board of Supervisors File No. 220341 – a proposed ordinance amending the Administrative Code to alter how the Ellis Act (Cal. Gov., §§7060, et seq.) is implemented in San Francisco. File No. 220341 follows AB 1399 (2019), which amended the Ellis Act itself to allow cities to require that a property owner re-offer all units for rent when *any* withdrawn units are again offered for rent during the period of constraints.

As for implementing this requirement, we would ask that the Board clarify that the displaced tenant who receives an offer to re-rent a unit must only receive an offer to re-rent *their former*

STANDING UP FOR THE RIGHTS OF SAN FRANCISCO SMALL PROPERTY OWNERS THROUGH OUTREACH, EDUCATION AND LEGAL CHALLENGES

SPOSFI Affiliates:





The SPOSFI Institute

THE SMALL PROPERTY OWNERS OF SAN FRANCISCO INSTITUTE

P.O. Box 170669 • San Francisco, CA 94117-0669 • (415) 647-2419 • SPOSFI@smallprop.org • www.smallprop.org

unit. (See, SF Admin., §37.9A(c)(5).) Some of our members have experienced litigation or threats of litigation when a displaced former tenant does not receive an offer to rent a unit they never lived in. This creates confusion about who receives what offers (particularly when an owner occupies one such unit as their primary residence) and results in unnecessary litigation. We think that clarifying language would benefit the orderly administration of these new procedures.

Secondly, we must unambiguously object to any change to the relocation assistance payment standard for Ellis Act terminations (SF Admin., §37.9A(e)) that diverges from the payment standard for all other non-fault evictions in San Francisco (SF Admin., §37.9C(e)). While the history of these provisions is different, they have shared the logic, in their consistency, about the limits of the costs a landlord may be required to pay tenants when recovering possession of their property.

In 2005, the Board of Supervisors passed Ordinance 21-05 to implement a 2003 amendment to the Ellis Act and extend relocation assistance for Ellis Act evictions to all tenants who had resided in their unit for at least 12 months prior to invocation of the Ellis Act, eliminating a previous low-income requirement for these payments. Ordinance 21-05 initially set this amount at \$4,500 per tenant, with an additional \$3,000 per elderly or disabled tenant, keying an annual increase to inflation (similar to the annual allowable rent increase under the Rent Ordinance).

A group of landlords and property owners' associations challenged the payment standard as preempted by the Ellis Act itself. However, the Court of Appeal in *Pieri v. City & Cty. of San Francisco* (2006) 137 Cal. App. 4th 886 interpreted the 2003 amendment as permitted cities to impose "reasonable relocation assistance" on property owners to "mitigate the adverse impacts" of displacement. In interpreting what constituted a "reasonable" payment, *Pieri* drew inspiration from cases like *Kalaydjian v. City of Los Angeles* (1983) 149 Cal. App. 3d 690, 694, which found relocation fees permissible when based on average relocation costs.

The same year *Pieri* was decided, San Francisco voters passed Proposition H (2006), to provide for relocation assistance to tenants displaced by *other* non-fault evictions as well. It also required a \$4,500 payment per tenant, and an additional \$3,000 per qualified elderly or disabled tenant. This payment schedule was likewise keyed to inflation, and with two exceptions (discussed below), these payments – for tenants displaced by the Ellis Act and tenants displaced by other non-fault bases for eviction – have been roughly in parity (other

STANDING UP FOR THE RIGHTS OF SAN FRANCISCO SMALL PROPERTY OWNERS THROUGH OUTREACH, EDUCATION AND LEGAL CHALLENGES

SPOSFI Affiliates:





The SPOSFI Institute

THE SMALL PROPERTY OWNERS OF SAN FRANCISCO INSTITUTE

P.O. Box 170669 • San Francisco, CA 94117-0669 • (415) 647-2419 • SPOSFI@smallprop.org • www.smallprop.org

than that the Ellis Act payments have been nominally higher for being imposed a year earlier and thus having an additional year of inflation adjustment before Proposition H took effect).

The two exceptions to this parity were Ordinances 54-14 and 68-15 – successive efforts by San Francisco to require landlords, who were going out of business, to subsidize their former tenants for two years following displacement. The Court of Appeal in *Coyne v. City & Cnty. of San Francisco* (2017) 9 Cal. App. 5th 1215 rebuked these enhanced payments, finding that the “higher market-rate rents for comparable units” were not an adverse impact created by the “landlord’s decision to exercise Ellis Act rights”, but were rather the result of the *City’s* choice to implement rent control (*Id.* at 1230.) In reaching this result, it condoned *Pieri’s* rubric for a “mitigation payment” based on “relocation expenses”. (*Id.* at 1228.)

A federal challenge to Ordinance 54-14 likewise struck the ordinance as an unconstitutional monetary exactions taking, contrasting it with “[t]he payments required by the 2005 Ordinance [which] were, in both amount and intent, **roughly proportional to the typical relocation costs** that the property owner causes a tenant to incur by withdrawing a unit from the rental market. The few thousand dollars required per tenant (and a correspondingly higher amount for the relocation of a multiple-tenant household) under the 2005 Ordinance approximates the expenses incurred in a typical relocation, which are the expenses *caused by* the property owner’s withdrawal”. *Levin v. City & Cnty. of San Francisco* (N.D. Cal. 2014) 71 F. Supp. 3d 1072, 1085 (emph. added).

File No. 220341 goes beyond the *Pieri*-approved standard. Its logic is based on a Policy Analysis Report of the Budget and Legislative Analyst (“the Report”), where Sup. Melgar asked the Budget and Legislative Analyst to “conduct an update of [their] **2014 analysis** on the **level of profits** realized by landlords following the sale of a building after the eviction of tenants under the Ellis Act.” The 2014 report was requested by then-Supervisor Campos, who introduced Ordinances 54-14 and 68-15, and therefore begins its analysis on faulty footing. (See, Budget and Legislative Analyst March 17, 2014 report.)

The Report compares “Ellis Act Relocation Costs and Payments by Housing Scenario” (see Exhibit B). It concludes that the existing payments are “insufficient” based on a *fictionalized* chart of “payments versus costs”. However, this chart presents arbitrary and few hypothetical examples of tenant relocation experiences, to reach an ends-based conclusion that the *existing* payment is not enough. It presents five scenarios:

STANDING UP FOR THE RIGHTS OF SAN FRANCISCO SMALL PROPERTY OWNERS THROUGH OUTREACH, EDUCATION AND LEGAL CHALLENGES

SPOSFI Affiliates:





The SPOSF Institute

THE SMALL PROPERTY OWNERS OF SAN FRANCISCO INSTITUTE

P.O. Box 170669 • San Francisco, CA 94117-0669 • (415) 647-2419 • SPOSF@smallprop.org • www.smallprop.org

- One able-bodied tenant in studio moves to another studio: this hypothetical tenant loses \$160 after moving with current relocation payments;
- One able-bodied tenant in a one-bedroom moves to another one-bedroom: this tenant loses \$2,470 after moving with current relocation payments;
- Two able-bodied tenants in a two-bedroom move together to a two-bedroom: this household gains \$1,769 after moving with current relocation payments;
- Two able-bodied tenants in a two-bedroom move into *different* one-bedrooms: these tenants lose \$2,470 after moving with current relocation payments;
- One elderly or disabled tenant in a studio moves into another studio: this tenant gains \$5,439 after moving with current relocation payments.

Even in these contorted examples, the collective gains exceed the loses. The only strained example divides the relocation costs of one displaced household into two new households. Conspicuously absent is the household that receives the maximum payment of \$22,279.62 and stays together. (It should be uncontroversial that it does not take \$22,279.62 to move from one apartment to another.)

More to the point, this analysis diverges greatly from the allowable “mitigation” payments authorized by the Ellis Act. *Levin’s* “roughly proportional” payments are nowhere to be found. Instead, the Report finds relocation fee deficiencies where tenants are paying not only for a first month’s rent, but also a *last* month’s rent. (The *vast* majority of our members do not charge a last month’s rent for a new tenant, and *Coyne* and *Levin* specifically *reject* the use of market rates as a rubric for relocation costs.) The Report finds the relocation fee insufficient to cover a security deposit, but security deposit is merely the tenants’ money held by the landlord.

The Report curiously neglects the tenants’ receipt of the past deposit from the withdrawing landlord and neglects to observe that these San Francisco tenant’s *new* deposit is essentially an interest-bearing savings account. (See, SF Admin. Ch. 49.) And our members are genuinely curious why – after years of subsidizing their tenants’ housing expense - they may be required to pay for *five days* of a displaced tenant’s wages during an unusually leisurely move. The underlying premises of the Report debase its use as support for altering the long-standing (and constitutional) Ellis Act relocation payment.

And even if the existing relocation payment were not enough to cover the relocation costs of the conventional tenant (not the fictitious one conjured to stress a point in a report), this extraordinary relocation fee will not survive a challenge where it diverges from the fee for all

STANDING UP FOR THE RIGHTS OF SAN FRANCISCO SMALL PROPERTY OWNERS THROUGH OUTREACH, EDUCATION AND LEGAL CHALLENGES

SPOSFI Affiliates:





The SPOSFI Institute

THE SMALL PROPERTY OWNERS OF SAN FRANCISCO INSTITUTE

P.O. Box 170669 • San Francisco, CA 94117-0669 • (415) 647-2419 • SPOSFI@smallprop.org • www.smallprop.org

other non-fault evictions. Case law is clear that “impos[ing] an inevitable and undue burden (to wit, a ‘prohibitive price’)” on the use of the Ellis Act is impermissible. (*San Francisco Apartment Assn. v. City & Cnty. of San Francisco* (2016) 3 Cal. App. 5th 463, 482. *See, also Small Prop. Owners of San Francisco Inst. v. City & Cty. of San Francisco* (2018) 22 Cal. App. 5th 77.

A property owner might desire to live in his own property, but cannot avail herself of the owner move-in provision because her tenant is an educator, and she makes her decision in September, or she only needs to live there for 2 years, not the required 3, or she faces any of the other numerous factual scenarios where an owner cannot live in their own property. This owner may need or choose to use the Ellis Act instead of the owner move-in provision, and therefore, to enjoy the same right – the use of her property as her residence – she must pay roughly 33% *more* to enjoy this right via the Ellis Act. This is the species of hostility and discrimination toward the Ellis Act that neither our members nor the Courts will tolerate. We hope you will reconsider including this aggressive increase of relocation fees for Ellis Act terminations in File No. 220341.

President, SPOSFI

STANDING UP FOR THE RIGHTS OF SAN FRANCISCO SMALL PROPERTY OWNERS THROUGH OUTREACH, EDUCATION AND LEGAL CHALLENGES

SPOSFI Affiliates:



BOARD of SUPERVISORS



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

MEMORANDUM

TO: Christina Varner, Acting Executive Director, Rent Board
Eric D. Shaw, Director, Mayor's Office of Housing and Community
Development

FROM: Erica Major, Assistant Clerk, Land Use and Transportation Committee

DATE: April 8, 2022

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by Supervisor Melgar on April 5, 2022:

File No. 220341

Ordinance amending the Administrative Code to clarify that the date a property is withdrawn under the Ellis Act is based on the latest date that any tenancy in the property is terminated; to increase the relocation payments that owners must pay to tenants when evicting under the Ellis Act; to require that an owner who returns a unit to the rental market following an Ellis Act eviction must return the entire property to the market, with exceptions for certain owner-occupied units; to clarify that paying punitive damages does not extinguish an owner's obligation to re-offer the unit upon re-rental to the displaced tenants; and to delete inoperative Code sections.

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

cc: Lydia Ely, Mayor's Office of Housing and Community Development
Brian Cheu, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development

Introduction Form

By a Member of the Board of Supervisors or 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 inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic 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 the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only