

BOARD of SUPERVISORS



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

## MEMORANDUM

TO: Regina Dick-Endrizzi, Director  
Small Business Commission, City Hall, Room 448

FROM: Linda Wong, Assistant Clerk  
Board of Supervisors

DATE: May 31, 2016

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS  
Budget and Finance Sub-Committee

The Board of Supervisors' Budget and Finance Sub-Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

**File No. 160552**

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

Please return this cover sheet with the Commission's response to Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee, at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

\*\*\*\*\*

**RESPONSE FROM SMALL BUSINESS COMMISSION - Date:** \_\_\_\_\_

**No Comment**

**Recommendation Attached**

\_\_\_\_\_  
**Chairperson, Small Business Commission**

1 [General Obligation Bond Election - Amending Earthquake Loan Bond Program to Finance  
2 Acquisition and Rehabilitation of Affordable Housing]

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

18 Note: Additions are single-underline italics Times New Roman;  
19 deletions are ~~strikethrough italics Times New Roman~~.  
20 Board amendment additions are double underlined.  
21 Board amendment deletions are ~~strikethrough-normal~~.

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

22 Section 1. Findings.

23 A. On November 3, 1992, with the passage of Proposition A, voters of the City and  
24 County of San Francisco (the "City") approved the issuance of up to \$350,000,000 of General  
25 Obligation Bonds for a Seismic Safety Loan Program (referred to herein as "Proposition A") to

1 provide loans for the seismic strengthening of unreinforced masonry buildings (herein  
2 collectively the "Project"), including specifically \$200,000,000 to be allocated for "market-rate  
3 residential, commercial and institutional buildings . . ." (referred to herein as the "Market Rate  
4 Loan Program").

5 B. WHEREAS, Proposition A was intended to provide a source of financing for  
6 private loans for strengthening unreinforced masonry affordable housing and other privately  
7 buildings to withstand a strong earthquake to safeguard the health and safety of City  
8 residents; and

9 C. Participation in the Market Rate Loan Program has been modest, and there  
10 remains \$156,000,000 of authorized but unused bond capacity under such program.

11 D. The City has the highest median rent in the country with a one-bedroom asking  
12 rent of \$3,460, according to rental listing site Zumper.

13 E. The City continues to be one of the highest-priced ownership markets in the  
14 country with a median home sales price in 2015 of \$1.1 million, a 19.4% increase from the  
15 previous year, according to the real estate website Trulia.

16 F. The City continues to see a widening affordability gap for low to moderate  
17 income households for both rental housing and homeownership.

18 G. Limited state and federal resources and the high cost of housing development  
19 puts a greater burden on local government to contribute their own limited resources to  
20 housing development, and thus means that the City's supply of affordable housing has not  
21 kept pace with demand.

22 H. The affordability gap has the greatest impact on low-income households such as  
23 those with seniors, disabled persons, low-income working families, and veterans.

1 I. The housing need in the City is also particularly acute for moderate-income  
2 households, for whom there are no federal or state financing programs that the City can  
3 leverage with its own subsidies.

4 J. The housing affordability gap that has arisen and expanded in the local housing  
5 market inhibits the City from ensuring that economic and cultural diversity can be maintained.

6 K. These high housing costs can inhibit healthy, balanced economic growth  
7 regionally.

8 L. Individuals and families who are increasingly locked out of the local housing  
9 market will be forced to leave the City and take on increasingly long employment commutes,  
10 with attendant economic costs and costs to the environment.

11 M. This measure would amend Proposition A to add to the purposes for which  
12 funds allocated to the Market Rate Loan Program can be used to include as an additional  
13 purpose loans for the acquisition, improvement, and rehabilitation of "at-risk" multi-unit  
14 residential properties, and to convert such properties to permanent affordable housing (as  
15 further described in Section 3 below) and to perform needed seismic, fire, health, and safety  
16 upgrades or other major rehabilitation for habitability.

17 N. There is a crisis of rent-controlled or low-rent residential buildings being  
18 acquired on the speculation market and existing tenants displaced. The expansion of the  
19 Market Rate Loan program to accommodate loans to at-risk multi-unit buildings would help  
20 maintain affordable housing stock for City residents.

21 Section 2. A special election is called and ordered to be held in the City on Tuesday,  
22 November 8, 2016, for the purpose of submitting to the electors of the City a proposition to  
23 amend Proposition A, the Market Rate Loan Program, to provide for the additional purposes  
24 (as shown by italicized text) described and in the amounts and conditions stated below:  
25

1 "EARTHQUAKE LOAN BOND PROGRAM, 1992. \$350,000,000 to provide loans for  
2 the seismic strengthening of unreinforced masonry buildings, and to provide loans for the  
3 acquisition, improvement and rehabilitation of "at-risk" multi-unit residential buildings and  
4 conversion of such buildings to permanent affordable housing as provided in subsection (b) below, and  
5 to pay necessary administrative costs incident thereto, of which (a) \$150,000,000 shall be  
6 allocated to affordable housing buildings at an interest rate equal to one-third of the City's true  
7 interest cost of the series of bonds of which are used to fund the loan, of which \$60,000,00  
8 shall be available for deferred loans, and (b) \$200,000,000 shall be allocated to market rate  
9 residential, commercial and institutional buildings to, in addition to financing the cost of seismic  
10 repairs, finance the cost to acquire, improve and rehabilitate at risk multi-unit residential buildings  
11 (defined as three or more units) in need of seismic, fire, health and safety upgrades or other major  
12 rehabilitation for habitability, including mixed-use residential buildings in order to convert such  
13 structures to permanent affordable housing; with the interest rate on said loans being set in an  
14 amount which, when coupled with the City's annual administrative fees charged by the City  
15 yields a total annual return to the City which is one percent (1%) above the City's true interest  
16 cost for the series of bonds the proceeds of which are used to fund the loan; . . . "

17 Loans made pursuant to this amendment shall be in accordance with the Mayor's  
18 Office of Housing and Community Development underwriting standards for multifamily  
19 housing.

20 Other than as stated above, the purposes, conditions, and other matters pertaining to  
21 Proposition A shall remain in full force and effect, as approved by the voters on November 3,  
22 1992. Nothing herein shall be read to restore bonding capacity for previously issued bonds  
23 under Proposition A, the sole purpose herein being to provide additional purposes to which  
24 funds in the Market Rate Loan Program can be used.  
25

1           The special election called and ordered to be held hereby shall be referred to in this  
2 ordinance as the "Bond Special Election."

3           Section 3.    PROPOSED PROGRAM. All contracts that are funded with the proceeds  
4 of Bonds authorized hereby shall be subject to the provisions of Chapter 83 of the  
5 Administrative Code (the "First Source Hiring Program"), which fosters construction and  
6 permanent employment opportunities for qualified economically disadvantaged individuals. In  
7 addition, all contracts that are funded with the proceeds of Bonds authorized hereby also shall  
8 be subject to the provisions of Chapter 14B of the Administrative Code (the "Local Business  
9 Enterprise and Non-Discrimination in Contracting Ordinance"), which assists small and micro  
10 local businesses to increase their ability to compete effectively for the award of City contracts,  
11 to the extent the Local Business Enterprise and Non-Discrimination Contracting Ordinance  
12 does not conflict with applicable state or federal law.

13           A.    CITIZENS' OVERSIGHT COMMITTEE. A portion of the proposed Bonds shall  
14 be used to perform audits of the Bonds, as further described in Section 15.

15           Additional Projects to be funded from the proceeds of the proposed Bonds may include  
16 but are not limited to the following:

17           B.    ACQUIRE EXISTING RENTAL HOUSING TO PRESERVE HOUSING. A portion  
18 of the Bonds may be allocated to acquire, rehabilitate, and preserve existing rental housing as  
19 permanent affordable housing in order to prevent the loss of rental housing stock and the  
20 displacement of long-time residents of the City, as provided in Section 2 above. Loans made  
21 pursuant to this amendment shall be in accordance with the Mayor's Office of Housing and  
22 Community Development underwriting standards for multifamily housing.

1 Section 4. BOND ACCOUNTABILITY MEASURES.

2 The Bonds shall include the following administrative rules and principles:

3 A. OVERSIGHT. The proposed Bond funds shall be subjected to approval  
4 processes and rules described in the Charter and Administrative Code. Pursuant to  
5 Administrative Code Section 5.31, the Citizens' General Obligation Bond Oversight  
6 Committee shall conduct an annual review of Bond spending, and shall provide an annual  
7 report of the Bond program to the Mayor and the Board of Supervisors.

8 B. TRANSPARENCY. The City shall create and maintain a Web page outlining and  
9 describing the bond program, progress, and activity updates. The City shall also hold an  
10 annual public hearing and reviews on the bond program and its implementation before the  
11 Capital Planning Committee and the Citizens' General Obligation Bond Oversight Committee.

12 Section 5. The estimated cost of the bond financed portion of the project described  
13 in Section 2 above was fixed by the Board of Supervisors by the following resolution and in  
14 the amount specified below:

15 Resolution No. \_\_\_\_\_, \$350,000,000.

16 Such resolution was passed by two-thirds or more of the Board of Supervisors and  
17 approved by the Mayor. In such resolution it was recited and found by the Board of  
18 Supervisors that the sum of money specified is too great to be paid out of the ordinary annual  
19 income and revenue of the City in addition to the other annual expenses or other funds  
20 derived from taxes levied for those purposes and will require expenditures greater than the  
21 amount allowed by the annual tax levy.

22 The method and manner of payment of the estimated costs described in this ordinance  
23 are by the issuance of Bonds of the City not exceeding the principal amount specified.

24 Such estimate of costs as set forth in such resolution is adopted and determined to be  
25 the estimated cost of such bond financed improvements and financing, respectively.



1           Section 6.    The Bond Special Election shall be held and conducted and the votes  
2 received and canvassed, and the returns made and the results ascertained, determined, and  
3 declared as provided in this ordinance and in all particulars not recited in this ordinance such  
4 election shall be held according to the laws of the State of California (State) and the Charter of  
5 the City (Charter) and any regulations adopted under State law or the Charter, providing for  
6 and governing elections in the City, and the polls for such election shall be and remain open  
7 during the time required by such laws and regulations.

8           Section 7.    The Bond Special Election is consolidated with the General Election  
9 scheduled to be held in the City on Tuesday, November 8, 2016 (General Election). The  
10 voting precincts, polling places, and officers of election for the General Election are hereby  
11 adopted, established, designated, and named, respectively, as the voting precincts, polling  
12 places, and officers of election for the Bond Special Election called, and reference is made to  
13 the notice of election setting forth the voting precincts, polling places, and officers of election  
14 for the General Election by the Director of Elections to be published in the official newspaper  
15 of the City on the date required under the laws of the State.

16           Section 8.    The ballots to be used at the Bond Special Election shall be the ballots to  
17 be used at the General Election. The word limit for ballot propositions imposed by Municipal  
18 Elections Code Section 510 is waived. On the ballots to be used at the Bond Special  
19 Election, in addition to any other matter required by law to be printed thereon, shall appear the  
20 following as a separate proposition:

21           "SAN FRANCISCO EARTHQUAKE LOAN AND HOUSING PRESERVATION  
22 BONDS, 1992. To Amend 1992 voter approved measure Proposition A, to allow as an  
23 additional purpose the incurrence of bonded indebtedness to finance the acquisition,  
24 improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such  
25 structures to permanent affordable housing; shall the City and County of San Francisco issue

1 up to \$156 million in general obligation bonds, subject to independent citizen oversight and  
2 regular audits?"

3 Each voter to vote in favor of the foregoing bond proposition shall mark the ballot in the  
4 location corresponding to a "YES" vote for the proposition, and to vote against the proposition  
5 shall mark the ballot in the location corresponding to a "NO" vote for the proposition.

6 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the  
7 voters voting on the proposition voted in favor of and authorized the incurring of bonded  
8 indebtedness for the purposes set forth in such proposition, then such proposition shall have  
9 been accepted by the electors, and the Bonds authorized shall be issued upon the order of  
10 the Board of Supervisors. Such Bonds shall bear interest at a rate not exceeding that  
11 permitted by law. Notwithstanding the foregoing, if this measure is not approved by the voters  
12 voting on the proposition, then Proposition A shall remain unaffected and shall continue as a  
13 valid authorization to issue General Obligation Bonds for the several purposes therein stated.

14 The votes cast for and against the proposition shall be counted separately and when  
15 two-thirds of the qualified electors, voting on the proposition, vote in favor, the proposition  
16 shall be deemed adopted.

17 Section 10. For the purpose of paying the principal and interest on the Bonds, the  
18 Board of Supervisors shall, at the time of fixing the general tax levy and in the manner for  
19 such general tax levy provided, levy and collect annually each year until such Bonds are paid,  
20 or until there is a sum in the Treasury of the City, or other account held on behalf of the  
21 Treasurer of the City, set apart for that purpose to meet all sums coming due for the principal  
22 and interest on the Bonds, a tax sufficient to pay the annual interest on such Bonds as the  
23 same becomes due and also such part of the principal thereof as shall become due before the  
24 proceeds of a tax levied at the time for making the next general tax levy can be made  
25 available for the payment of such principal.

1 Section 11. This ordinance shall be published in accordance with any State law  
2 requirements, and such publication shall constitute notice of the Bond Special Election and no  
3 other notice of the Bond Special Election hereby called need be given.

4 Section 12. The Board of Supervisors, having reviewed the proposed legislation,  
5 makes the following findings in compliance with the California Environmental Quality Act  
6 ("CEQA"), California Public Resources Code Sections 21000 et seq., the CEQA Guidelines,  
7 15 Cal. Administrative Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco  
8 Administrative Code Chapter 31 ("Chapter 31"): The Environmental Review Officer  
9 determined that this legislation is not defined as a project subject to CEQA because it is a  
10 funding mechanism involving no commitment to any specific projects at any specific locations,  
11 as set forth in CEQA Guidelines Section 15378.

12 Section 13. The Board of Supervisors finds and declares that the proposed Bonds (a)  
13 were referred to the Planning Department in accordance with Section 4.105 of the Charter  
14 and Section 2A.53(f) of the Administrative Code, (b) are in conformity with the priority policies  
15 of Section 101.1(b) of the Planning Code, and (c) are consistent with the City's General Plan,  
16 and adopts the findings of the Planning Department, as set forth in the General Plan Referral  
17 Report dated \_\_\_\_\_, a copy of which is on file with the Clerk of the Board of  
18 Supervisors in File No. \_\_\_\_\_, and incorporates such findings by this reference.

19 Section 14. Under Section 53410 of the California Government Code, the Bonds shall  
20 be for the specific purpose authorized in this ordinance and the proceeds of such Bonds will  
21 be applied only for such specific purpose. The City will comply with the requirements of  
22 Sections 53410(c) and 53410(d) of the California Government Code.

23 Section 15. The Bonds are subject to, and incorporate by reference, the applicable  
24 provisions of Administrative Code Sections 5.30 – 5.36 (the "Citizens' General Obligation  
25 Bond Oversight Committee"). Under Administrative Code Section 5.31, to the extent permitted

1 by law, one-tenth of one percent (0.1%) of the gross proceeds of the Bonds shall be deposited  
2 in a fund established by the Controller's Office and appropriated by the Board of Supervisors  
3 of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee  
4 to cover the costs of such committee.

5 Section 16. The time requirements specified in Administrative Code Section 2.34 are  
6 waived.

7 Section 17. The City hereby declares its official intent to reimburse prior expenditures  
8 of the City incurred or expected to be incurred prior to the issuance and sale of any series of  
9 the Bonds in connection with the Project. The Board of Supervisors hereby declares the City's  
10 intent to reimburse the City with the proceeds of the Bonds for expenditures with respect to  
11 the Project (the "Expenditures" and each, an "Expenditure") made on or after that date that is  
12 no more than 60 days prior to the passage of this Ordinance. The City reasonably expects  
13 that it will reimburse the Expenditures with the proceeds of the Bonds.

14 Each Expenditure was and will be either (a) of a type properly chargeable to a capital  
15 account under general federal income tax principles (determined in each case as of the date  
16 of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item  
17 that is not customarily payable from current revenues, or (d) a grant to a party that is not  
18 related to or an agent of the City so long as such grant does not impose any obligation or  
19 condition (directly or indirectly) to repay any amount to or for the benefit of the City. The  
20 maximum aggregate principal amount of the Bonds expected to be issued for the Project is  
21 \$350,000,000. The City shall make a reimbursement allocation, which is a written allocation  
22 by the City that evidences the City's use of proceeds of the applicable series of Bonds to  
23 reimburse an Expenditure, no later than 18 months after the later of the date on which the  
24 Expenditure is paid or the related portion of the Project is placed in service or abandoned, but  
25 in no event more than three years after the date on which the Expenditure is paid. The City

1 recognizes that exceptions are available for certain "preliminary expenditures," costs of  
2 issuance, certain de minimis amounts, expenditures by "small issuers" (based on the year of  
3 issuance and not the year of expenditure) and Expenditures for construction projects of at  
4 least five years.

5 Section 18. The appropriate officers, employees, representatives and agents of the  
6 City are hereby authorized and directed to do everything necessary or desirable to accomplish  
7 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions  
8 of this ordinance.

9  
10 APPROVED AS TO FORM:  
11 DENNIS J. HERRERA,  
12 City Attorney

13 By:

14   
15 MARK D. BLAKE  
16 Deputy City Attorney

17 n:\leganalas2016\1600706\01107448.doc

**LEGISLATIVE DIGEST**

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

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

**Existing Law**

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

Since the inception of the Market Rate Loan Program, the City has issued approximately \$50 million in loans to private parties. There remains \$150 million of authorized but unissued authority under the Market Rate Loan Program.

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

**Amendments to Existing Law**

To access the existing bonding capacity (approximately \$150 million) under the Market Rate Loan Program, amendments to Proposition A would expand the permitted uses to which funds in the Market Rate Loan Program could be loaned to include as an additional purpose loans for the acquisition, improvement and rehabilitation of "at-risk" multi-unit residential properties, and to convert such properties to permanent affordable housing, and to finance the cost of needed seismic, fire, health and safety upgrades or other major rehabilitation for

FILE NO. 160552

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

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

#### Background Information

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

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