

File No. 240174

Committee Item No. 2

Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules Committee

Date April 15, 2024

Board of Supervisors Meeting

Date April 23, 2024

Cmte Board

- Motion
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- Legislative Digest
- Budget and Legislative Analyst Report
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- Introduction Form
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OTHER (Use back side if additional space is needed)

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Completed by: Victor Young Date April 11, 2024

Completed by: _____ Date _____

1 [Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs]

2

3 **Ordinance amending the Administrative Code to provide that the general obligation**
4 **bond passthrough from landlords to tenants shall be calculated based on the amount**
5 **the property tax rate has increased due to general obligation bonds since the tenant's**
6 **move-in date or 2005, whichever is later; and to allow tenants to seek relief from**
7 **general obligation bond passthroughs based on financial hardship.**

8

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

13

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

15

16 Section 1. Purpose and Findings.

17 (a) City law allows landlords to pass through to residential tenants a portion of any
18 property tax increases that result from the issuance of certain types of general obligation
19 bonds. The purpose of this law has been to reflect a compromise that landlords and tenants
20 should equally share the burden of any property tax increases that result from the issuance of
21 these bonds. And so, except in cases involving certain older general obligation bonds, the
22 general rule is that landlords may pass through to tenants up to 50% of the change in property
23 taxes that landlords may pay as a result of the bonds.

24 (b) Since approximately 2006, the City has followed a general obligation bond debt
25 management policy that seeks to prevent City general obligation bonds from resulting in an

1 increase to the property tax rate from the prior year. By and large this policy has achieved
2 that aim, and yet, the City has been authorizing passthroughs based on the costs of individual
3 bonds in isolation and without regard to the policy and whether those bond issuances actually
4 resulted in any property tax increase. If landlords and tenants are to share the burden of
5 property tax increases that result from general obligation bond debt, so too should they
6 equally benefit from the City's debt management policies.

7 (c) A further issue is that because landlords have the right to set the initial rent at the
8 start of a new tenancy, landlords already have the opportunity when they set the rent to cover
9 their existing property tax costs. If these costs are priced into the starting rent, then allowing a
10 passthrough of these costs creates a potential for double recovery, and moreover the City's
11 debt management policy has helped keep the property tax rate relatively stable despite
12 subsequent bonds. As a result, it is fair and consistent with the purpose of the passthrough
13 for the passthrough to only cover property tax increases that arose after the tenant's move-in
14 due to general obligation bonds, which are not already included in the rent. In the case of
15 tenants who moved in before the City adopted its debt management policy, it is appropriate to
16 measure the change in property tax rate relative to the property tax rate in 2005.

17 (d) The City's failure to account for these factors has led to a growing and unintended
18 disparity. As noted above, the intent of the general obligation bond passthrough was to allow
19 landlords to pass through up to 50% of any increases in the property tax rate that resulted
20 from the bonds. But since 2005-2006, the portion of the property tax rate that corresponds to
21 these bonds has risen about 18%, compared to a 216% increase in the tenant passthrough
22 rate. And the passthrough rates consider bonds whose costs may already have been priced
23 into a tenant's starting rent, in any event.

24 (e) For the foregoing reasons, the Board of Supervisors finds it is necessary and in
25 the public interest to update the Rent Ordinance to ensure it reflects the reality of the City's

1 debt management policy and the true intent of the general obligation bond passthrough. To
2 ensure fairness, the Board finds that this update should occur prospectively as of July 1,
3 2024, without affecting or impairing the validity of any passthroughs imposed prior to that
4 date.

5
6 Section 2. Article VII of Chapter 2 of the Administrative Code is hereby amended by
7 revising Section 2.40, to read as follows:

8 **SEC. 2.40. INCLUSION OF LANDLORD PASSTHROUGH LANGUAGE.**

9 Any proposal for bonded indebtedness submitted pursuant to this Article VII shall
10 include, as a provision of the ordinance submitting such proposal to the voters, language
11 incorporating and authorizing the ~~50 percent~~ passthrough of the change in a landlord's property
12 tax resulting from the repayment of such indebtedness as provided in Administrative Code
13 Section 37.3(a)(6).

14 * * * *

15
16 Section 3. Article V of the Municipal Elections Code is hereby amended by revising
17 Section 520, to read as follows:

18 **SEC. 520. CONTROLLER'S FINANCIAL ANALYSIS.**

19 (a) The Controller shall prepare an impartial financial analysis of each measure
20 submitted to the voters. The Controller's financial analysis shall include the amount of any
21 increase or decrease in the cost of City and County government. The Controller's financial
22 analysis shall also include the effect of the measure upon the tax rate.

23 For any general obligation bond measure placed on the ballot, the Controller's
24 financial analysis shall include an explanation of the City's legal debt limit, as well as the
25 impact of the proposed bond measure on that limit. The Controller's financial analysis for a

1 general obligation bond measure placed on the ballot, including general obligation bond
2 measures submitted by the San Francisco Unified School District or San Francisco
3 Community College District, also shall include an explanation of the ~~50 percent~~ passthrough of
4 the change in a landlord's property tax resulting from the repayment of such indebtedness
5 provided in Administrative Code Section 37.3(a)(6), and an explanation estimate of the impact of
6 that passthrough ~~as it relates to~~under the proposed bond measure.

7 * * * *

8
9 Section 4. Chapter 37 of the Administrative Code is hereby amended by revising
10 Sections 37.2. and 37.3, to read as follows:

11 **SEC. 37.2. DEFINITIONS.**

12 * * * *

13 (q) **Rent Increases.** Any additional monies demanded or paid for rent as defined in
14 item (p) above, or any reduction in housing services without a corresponding reduction in the
15 monies demanded or paid for rent; provided, however, that passthroughs of the following cost
16 increases pursuant to this Chapter 37 do not constitute rent increases: (1) where the landlord has
17 been paying the tenant's utilities and the cost of those utilities increases, ~~the landlord's passing~~
18 ~~through to the tenant of such increased costs pursuant to this Chapter does not constitute a rent~~
19 ~~increase;~~ (2) where the landlord is passing through to the tenant the ~~there has been a~~ change in the
20 landlord's property tax attributable to a general obligation bond ~~approved by the voters between~~
21 ~~November 1, 1996 and November 30, 1998, or after November 14, 2002, the landlord's passing through~~
22 ~~to the tenant of such increased costs~~ in accordance with ~~this Chapter (see as~~ Section 37.3(a)(6)
23 ~~does not constitute a rent increase;~~ (3) ~~where there has been a change in the landlord's property tax~~
24 ~~attributable to a San Francisco Unified School District or San Francisco Community College District~~
25 ~~general obligation bond approved by the voters after November 1, 2006, the landlord's passing through~~

1 ~~to the tenant of such increased costs in accordance with this Chapter (see Section 37.3(a)(6)) does not~~
2 ~~constitute a rent increase; and, (4); and (3) where the landlord is passing through to the tenant where~~
3 ~~water bill charges are attributable to~~ water rate increases resulting from issuance of water
4 revenue bonds authorized at the November 5, 2002 election, ~~the landlord's passing through to~~
5 ~~the tenant of such increased costs in accordance with this Chapter (see Section 37.3(a)(5)(B)) does~~
6 ~~not constitute a rent increase.~~

7 * * * *

8
9 **SEC. 37.3. RENT LIMITATIONS.**

10 (a) **Rent Increase Limitations for Tenants in Occupancy.** Landlords may impose
11 rent increases upon tenants in occupancy only as provided below and as provided by
12 subsections 37.3(d) and 37.3(g):

13 * * * *

14 (6) **Property Tax.**

15 _____ (A) Effective July 1, 2024, a landlord may impose increases based upon a
16 100% passthrough of the change in the landlord's property tax resulting from the repayment of
17 general obligation bonds of the City and County of San Francisco approved by the voters
18 between November 1, 1996, and November 30, 1998; a 50% passthrough of the change in the
19 landlord's property tax resulting from the repayment of general obligation bonds of the City and
20 County of San Francisco approved by the voters after November 14, 2002; and ~~as provided in Section~~
21 37.2(q).

22 _____ A landlord may impose increases based upon a 50% passthrough of the change in the
23 landlord's property tax resulting from the repayment of San Francisco Unified School District
24 or San Francisco Community College District general obligation bonds approved by the voters
25 after November 1, 2006. General obligation bonds that meet the criteria set forth in the previous

1 sentence are referred to herein as “Eligible Bonds;” provided, however, that a general obligation bond
2 approved after December 20, 2000 may qualify as an Eligible Bond only if the passthrough was
3 disclosed and approved by the voters. The City and County of San Francisco, San Francisco Unified
4 School District, and San Francisco Community College District are referred to collectively as “the
5 Issuing Entities.”

6 To pass through the change in property tax resulting from the repayment of Eligible Bonds, the
7 landlord shall calculate said change relative to the amount that the property tax rate increased due to
8 the repayment of Eligible Bonds since each tenancy commenced, or 2005, whichever is later (“the Base
9 Year”), as set forth in subsection (a)(6)(B). ~~The amount of such increases shall be determined for each~~
10 tax year as follows:

11 (B)(A) The Controller ~~and the Board of Supervisors~~ will first determine the
12 percentage of the property tax rate, if any, ~~in each tax year~~ attributable to ~~the~~ general obligation
13 bonds ~~of any of the Issuing Entities (“the General Obligation Bond Factor”) for each~~ ~~and repayable~~
14 ~~within such~~ tax year. The passthrough rate for an individual tenant (the “Tenant Passthrough Rate”)
15 shall be based on the amount that the General Obligation Bond Factor for the current year has
16 increased since the tenant’s Base Year; and the degree to which said increase, if any, is attributable to
17 Eligible Bonds, as measured by the ratio of debt service for the Eligible Bonds compared to the total
18 debt service attributable to general obligation bonds of the Issuing Entities. The resulting figure shall
19 then be discounted to reflect the specific percentage passthroughs for each of the Eligible Bonds as
20 specified in subsection (A). The Controller shall prepare and annually update a form to help landlords
21 and tenants calculate the Tenant Passthrough Rates. The Controller’s authority to interpret and
22 administer this calculation shall be liberally construed to further the purposes of this subsection (a)(6).

23 (C)(B) ~~To calculate the amount of increased property tax that the landlord~~
24 ~~can pass through to a tenant in any given year, the landlord shall divide ~~This percentage shall be~~~~
25 ~~multiplied by~~ the total amount of the net taxable value as of November 1 of the applicable tax

1 year by the total number of all units in the property, including commercial units; and shall multiply the
2 resulting figure by the applicable Tenant Passthrough Rate. The result is the dollar amount of
3 increased property taxes for that tax year for a particular property attributable to the repayment
4 of ~~the general obligation bonds~~ Eligible Bonds that the landlord may pass through to the tenant.

5 ~~(D)(C)~~ The dollar amount calculated under subsection (a)(6)~~(C)(B)~~ shall
6 ~~be divided by the total number of all units in each property, including commercial units. That figure~~
7 ~~shall also be discounted to reflect the percentage passthrough that the voters authorized, as applicable:~~
8 ~~specifically, in the case of the 50% passthroughs authorized for general obligation bonds of the City~~
9 ~~and County of San Francisco approved by the voters after November 14, 2002 and general obligation~~
10 ~~bonds of the San Francisco Unified School District or San Francisco Community College District~~
11 ~~approved by the voters after November 1, 2006, the figure shall be divided by two. The figure~~ shall
12 then be divided by the total number of months that the passthrough may apply pursuant to
13 subsection (a)(6)~~(E)(D)~~(i), to determine the monthly per unit costs for that tax year of the
14 repayment of general obligation bonds.

15 ~~(E)(D)~~ Landlords may pass through to each unit in a particular property
16 the dollar amount calculated under subsections (a)(6)(A)~~(D), (B), and (C)~~, as provided in this
17 subsection (a)(6)~~(E)(D)~~.

18 (i) ~~If a passthrough is imposed on or before December 31, 2020, it shall~~
19 ~~apply only for the 12-month period after it is imposed. Starting January 1, 2021, a~~All passthroughs
20 shall apply for the same number of months covered by the property tax bills used in the
21 passthrough calculation, and the calculation may not be based on tax bills issued more than
22 three years prior to the year in which the passthrough was imposed.

23 (ii) The landlord shall give affected tenants notice of the
24 passthrough as provided by applicable notice of rent increase provisions of this Chapter 37,
25 including but not limited to Section 37.3(b)(3). The passthroughs may be imposed at any time

1 in the calendar year, provided that the landlord serves notice of such passthrough to be
2 effective on the anniversary date of each tenant's occupancy of the property. The
3 passthroughs shall not become a part of a tenant's base rent. The amount of each
4 passthrough imposed pursuant to this subsection (a)(6) may vary from year-to-year,
5 depending on the amount calculated by the Controller~~under subsections (a)(6)(A), (B), and (C)~~. A
6 landlord may impose the passthroughs described in this subsection (a)(6) for a particular tax
7 year only with respect to those tenants who were residents of a particular property on
8 November 1 of the applicable tax year. A landlord shall not impose a passthrough pursuant to
9 this subsection (a)(6) if the landlord has filed for or received Board approval for a rent
10 increase under Section 37.8(e)(4) for increased operating and maintenance expenses in
11 which the same increase in property taxes due to the repayment of general obligation bonds
12 was included in the comparison year cost totals.

13 ~~(F)(E)~~ A tenant who has received a passthrough under this subsection
14 (a)(6) may file a financial hardship application with the Board, and the Board may grant the
15 tenant complete or partial relief from ~~that part of the passthrough that is attributable to general~~
16 ~~obligation bonds approved by the voters on or after November 5, 2019~~. The standards and
17 procedures for the financial hardship application shall be as set forth in Sections 37.7(h)-(i).

18 ~~(G)(F)~~ The Board will have available a form which explains how to
19 calculate the passthrough. Landlords must provide to tenants, on or before the date that
20 notice is served on the tenant of a passthrough permitted under this subsection (a)(6), a copy
21 of the completed form. Landlords shall provide their tenants the ~~This~~ completed forms ~~shall be~~
22 ~~provided~~ in addition to the Notice of Rent Increase required under Section 37.3(b), and shall file
23 copies of the completed forms with the Board. Where a tenant alleges that a landlord has imposed
24 a charge which exceeds the limitations set forth in this subsection (a)(6), the tenant may
25 petition for a hearing under the procedures provided by Section 37.8. In such a hearing, the

1 landlord shall have the burden of proving the accuracy of the calculation that is the basis for
2 the increase. Any tenant petitions challenging such a passthrough must be filed within one
3 year of the effective date of the passthrough.

4 ~~(H)(G)~~ The Board and the Controller may amend their rules and
5 regulations as necessary to implement this subsection (a)(6).

6 * * * *

7
8 Section 5. Effective and Operative Dates.

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

13 (b) This ordinance shall become operative on its effective date or on July 1, 2024,
14 whichever is later.

15
16 Section 6. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
17 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
18 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
19 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
20 additions, and Board amendment deletions in accordance with the “Note” that appears under
21 the official title of the ordinance.

22
23 Section 7. Severability. If any section, subsection, sentence, clause, phrase, or word of
24 this ordinance, or any application thereof to any person or circumstance, is held to be invalid
25 or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not

LEGISLATIVE DIGEST

(Revised 4/15/2024)

[Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs]

Ordinance amending the Administrative Code to provide that the general obligation bond passthrough from landlords to tenants shall be calculated based on the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date or 2005, whichever is later; and to allow tenants to seek relief from general obligation bond passthroughs based on financial hardship.

Existing Law

The Rent Ordinance limits rent increases on residential tenants, but allows landlords to “pass through” to their tenants a portion of the change in the property taxes that is the result of the repayment of certain categories of general obligation bonds (“Eligible Bonds”). Specifically, landlords can pass through 100% of the change in property tax resulting from bonds issued by the City between 1996-98; 50% of the change resulting from bonds issued by the City after 2002; and 50% of the change resulting from bonds issued by the San Francisco Unified School District or the San Francisco Community College District after 2006. The Controller calculates a Citywide passthrough rate each year, based on the amount of the property tax rate in that year that is attributable to Eligible Bonds. Landlords can use the passthrough rate to determine the amount of property tax costs they can pass through to their tenants.

A tenant who has received a passthrough may file a financial hardship application with the Rent Board as to that part of the passthrough that is attributable to Eligible Bonds approved on or after November 5, 2019.

Amendments to Current Law

The ordinance would modify how the Controller calculates the tenant passthrough rates. Rather than use a standard passthrough rate for all tenants based on the aggregate cost of the Eligible Bonds under repayment, landlords would identify a specific passthrough rate for each tenant. Each tenant's passthrough rate would be based on a comparison of how much the portion of the property tax rate that pays for general obligation bonds of the three bond-issuing entities (the “General Obligation Bond Factor”) had increased between the current year, and the year that tenant moved into the unit or 2005, whichever is later (“the Base Year”). If the current year's General Obligation Bond Factor was not higher than it was in the tenant's Base Year, then there would be no increase to pass through to that tenant. But if the General Obligation Bond Factor had increased since the tenant's Base Year, the landlord could pass through to that tenant the portion of the increase that was attributable to Eligible Bonds, in the specific percentages authorized for each of the different categories of Eligible Bonds. The Controller would prepare and annually update a form to help landlords and

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tenants calculate the tenant passthrough rates. These changes would take effect on July 1, 2024, and would not affect prior years' passthroughs.

Also, the ordinance would allow tenants to seek relief based on financial hardship as to passthroughs associated with all Eligible Bonds, not just Eligible Bonds issued on or after November 5, 2019.

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Tenant Passthrough Rate Calculations Overview



Office of the Controller
Jamie Whitaker | Property Tax Manager
Budget and Analysis Division

April 15, 2024

Tenant Passthrough Rate Calculation Inputs

- Annual tenant passthrough rate is calculated by the Controller and set via a resolution along with the annual secured property tax rate factors.
- General obligation (G.O.) bond debt service and the City's total secured property assessed value help determine both the secured property tax rate factors and the tenant passthrough rate.
- Tenant passthrough rate reflects a subset of eligible portions of total G.O. bond debt service defined in Administrative Code, Chapter 37 as follows:
 - Debt service of City and County of San Francisco (**City**) G.O. bonds authorized by voters at elections held:
 - **Between November 1, 1996 and November 30, 1998** (100% passthrough)
 - **After November 14, 2002** (50% passthrough)
 - Debt service of San Francisco Unified School District (**SFUSD**) G.O. bonds authorized by voters at elections held **after November 1, 2006** (50% passthrough)
 - Debt service of San Francisco Community College District (**SFCCD**) G.O. bonds authorized by voters at elections held **after November 1, 2006** (50% passthrough)

FY 2023-24 Tenant Passthrough Rate Calculation

1.17769382% FY 2023-24 secured property tax rate set in Resolution 457-23

FY 2023-24 for City, SFUSD, and SFCCD (BART sets their G.O. bond tax rate factor independently):

- **A** \$536,272,662 G.O. bond debt service required from secured property taxes
- **B** \$326,410,724,623 July 1, 2023 Secured Assessed Value (AV) net of exemptions
- **A ÷ B** or **0.16429382%** Secured property tax rate factor

0.0726% FY 2023-24 tenant passthrough rate set in Resolution 457-23

- **C** \$237,111,858 Tenant passthrough eligible G.O. bond debt service from bond issues related to voter authorizations at election date ranges in Administrative Code, Chapter 37
- **D** \$326,410,724,623 July 1, 2023 Secured Assessed Value (AV) net of exemptions
- **C ÷ D** or **0.0726% or 7.26 cents per \$100 AV** tenant passthrough rate

Proposed Tenant Passthrough Rate Calculation

A

Various tenant passthrough rates based first upon the increase (A, if any) in sum of the property tax rate factors for City, SFUSD, and SFCCD G.O. bond debt service in current tax year from those in effect in the tax year when the tenant’s tenancy commenced, or 2005, whichever is later.

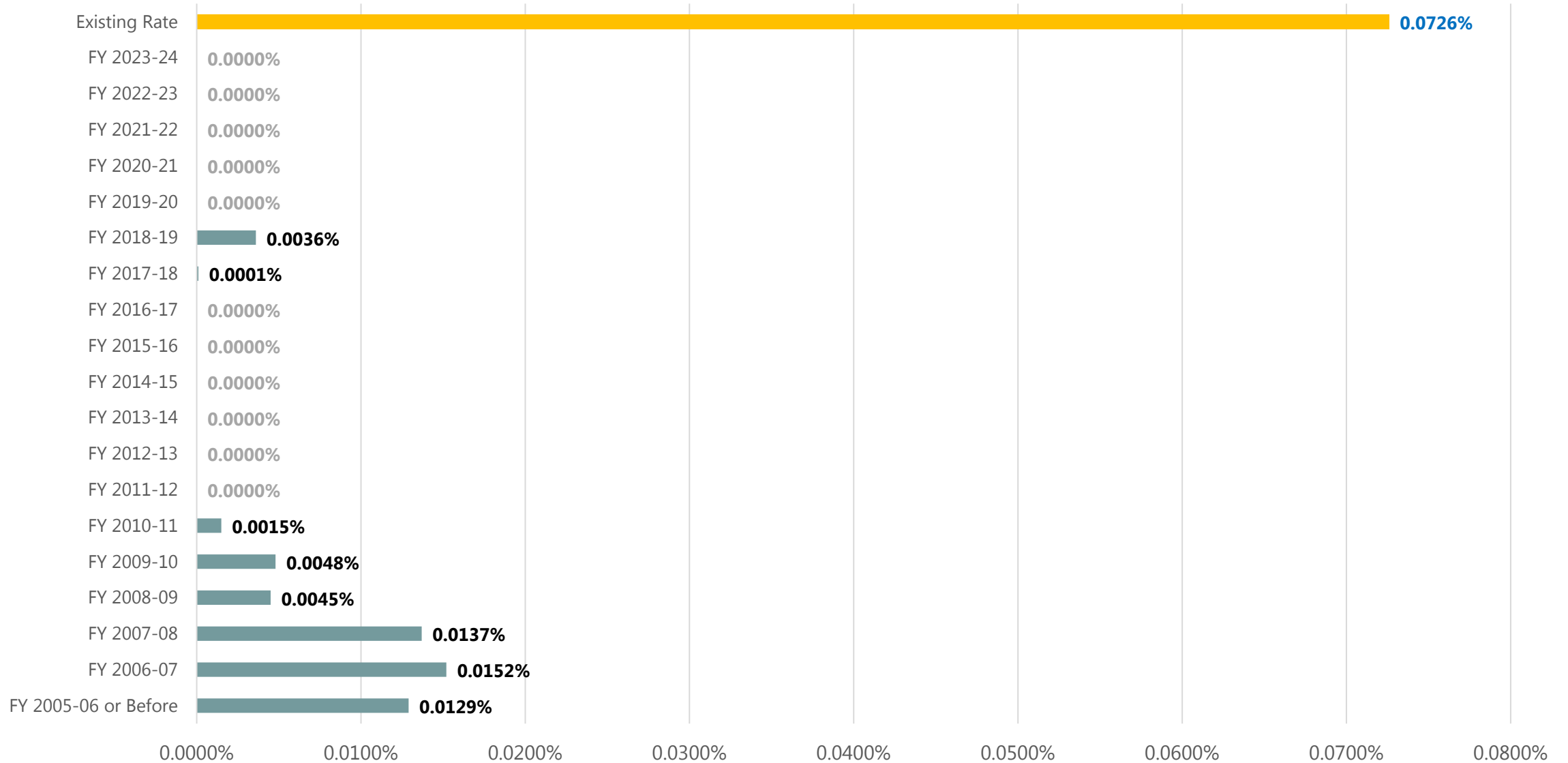
B

If there is an increase in the sum of the property tax rate factors, the difference is then multiplied by a ratio of debt eligible for passthrough to the total debt service of City, SFUSD, and SFCCD G.O. bonds in the current tax year (B).

Example FY 2023-24 passthrough rates based upon proposed ordinance

Tenancy Start Date	FY 2023-24 Eligible Entities Rate	Tenancy Start Date’s Equivalent Rate	Increase (A)	Ratio for FY 2023-24 (B)	Tenant Passthrough Rate (A x B)
6/30/2006	0.16429382%	0.13520000%	0.02909382%	44.56%	0.0129%
5/5/2011	0.16429382%	0.16090000%	0.00339382%	44.56%	0.0015%
3/13/2020	0.16429382%	0.16808940%	N/A	44.56%	N/A

Example FY 2023-24 Tenant Passthrough Rates vs. Existing



Rent Board Tenant Financial Hardship

Board of Supervisors Rules Committee – File No. 240174

April 15, 2024

Passthroughs From Which Tenants May Seek Deferral

- Capital Improvement Passthrough
- Operating & Maintenance Expense Increase
- Water Revenue Bond Passthrough
- Utility Passthrough
- General Obligation Bond Passthrough

Ground 1 – Public Assistance

- Means Tested Public Assistance Includes
 - SSI
 - CalFresh/SNAP/Food Stamps
 - GA
 - CalWORKs
 - PAES
- Does Not Include
 - Social Security Retirement
 - SSDI
 - Medi-Cal

Ground 2 – Income

- Monthly Rent Greater Than 33% of Monthly Household Income
- Assets Do Not Exceed \$60,000
- Monthly Gross Household Income Less Than Limit
 - 1 person - \$6,725
 - 4 people - \$9,608

Ground 3 – Exceptional Circumstances

- Tenant has exceptional circumstances (such as excessive medical bills), that makes payment of the increase a hardship

Relief From General Obligation Bond Passthroughs

107 Applications Filed

56 Granted

Means-Tested Public Assistance = 39

Income = 18

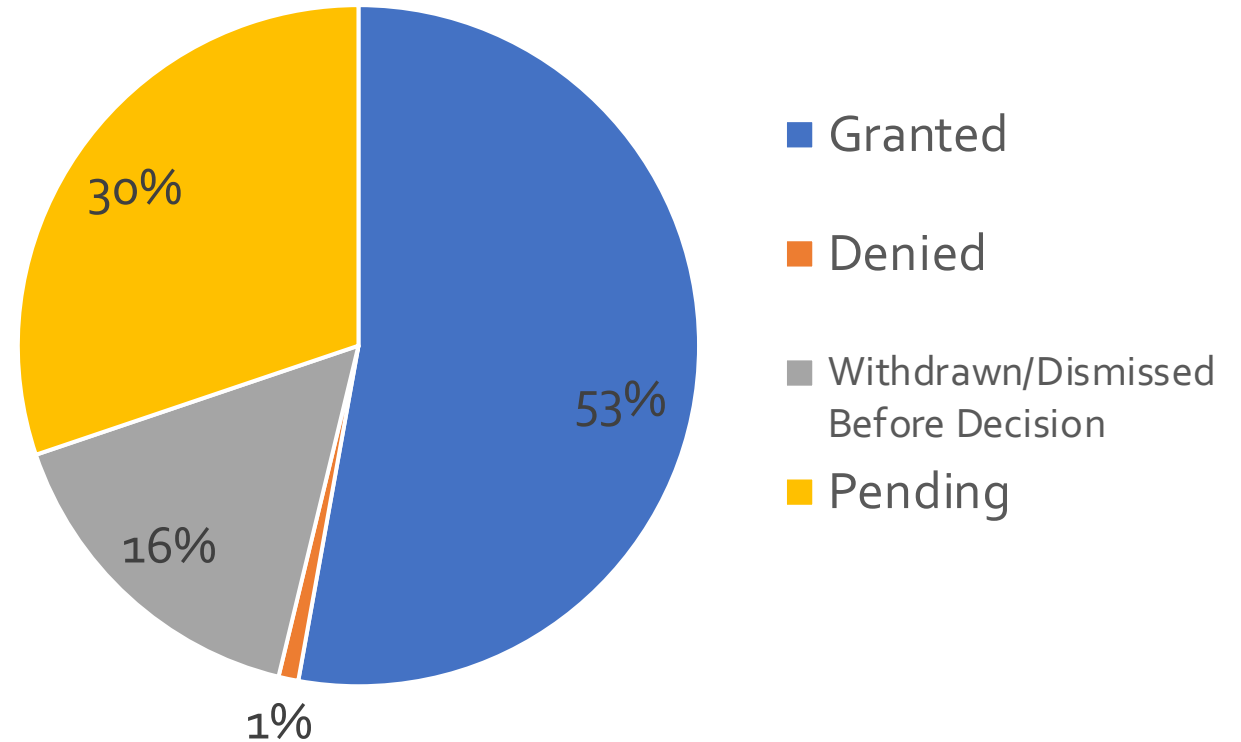
Exceptional Circumstances = 0

1 Denied

17 Withdrawn/Dismissed

32 Pending

Total GO Bond Hardship Applications Filed



Relief From General Obligation Bond Passthroughs

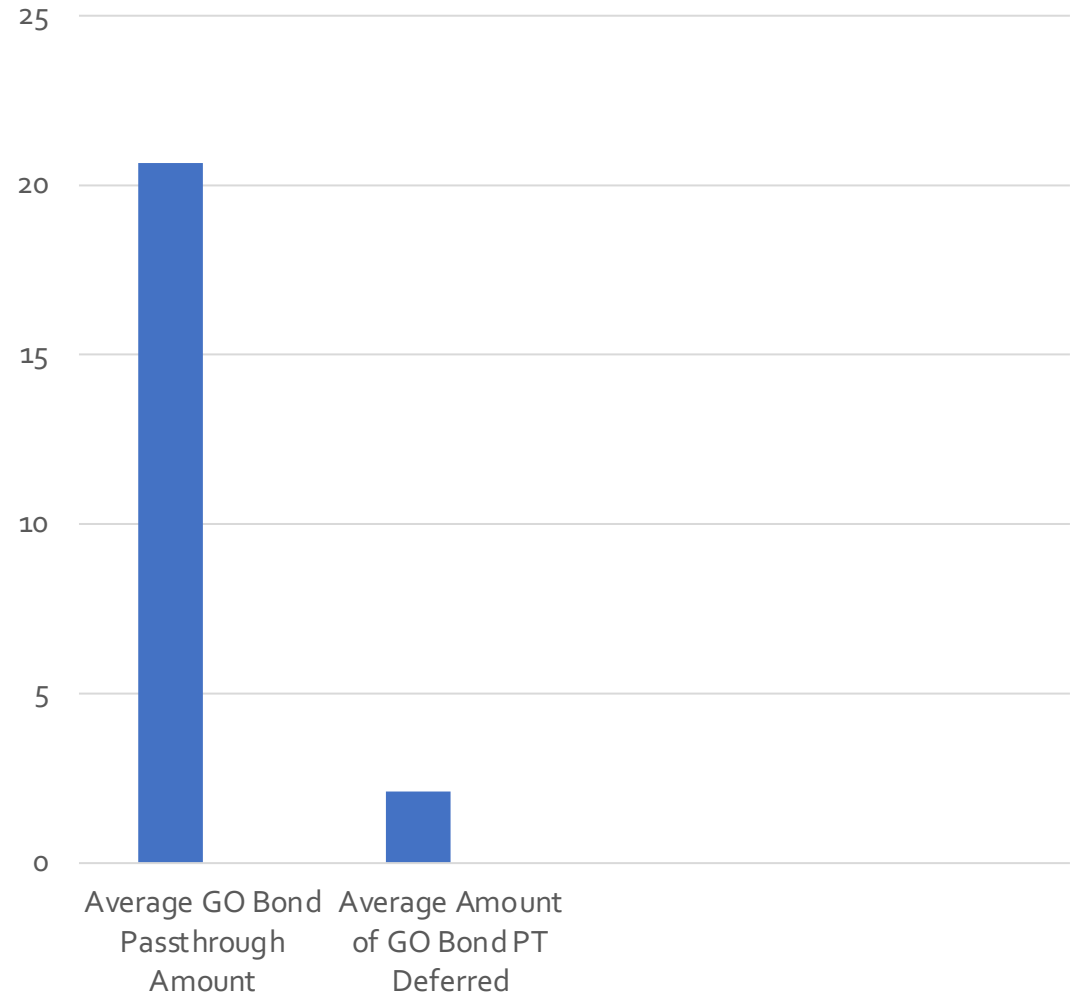
Average GO Bond Charged by Landlord = \$20.66/month for 12 months

Average Amount of GO Bond Passthrough Deferred = \$2.12

Currently, only the portion of GO Bonds attributable to bonds approved by voters after 11/15/19 are eligible for deferral

No deferral before November 2020

Pass Through Amounts



BOARD of SUPERVISORS



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

MEMORANDUM

TO: Greg Wagner, City Controller
Christina Varner, Executive Director, Rent Board

FROM: Victor Young, Assistant Clerk *Victor Young*

DATE: May 8, 2024

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee received the following proposed legislation:

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Ordinance amending the Administrative Code to provide that the general obligation bond passthrough from landlords to tenants shall be calculated based on the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date or 2005, whichever is later; and to allow tenants to seek relief from general obligation bond passthroughs based on financial hardship.

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

cc. Tood Rydstrom, Office of the Controller



March 19, 2024

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

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

Dear Supervisor Ronen,

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

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

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

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

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

71 Norwich Street, San Francisco, CA 94110 415-756-3037

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

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

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

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

Sincerely,

Mitchell Omerberg
Director

From: [anastasia Yovanopoulos](#)
To: [Mandelman, Rafael \(BOS\)](#); [Young, Victor \(BOS\)](#)
Cc: [Peskin, Aaron \(BOS\)](#); [Melgar, Myrna \(BOS\)](#); [Preston, Dean \(BOS\)](#); [Ronen, Hillary \(BOS\)](#); [Chan, Connie \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [Calvillo, Angela \(BOS\)](#); [Engardio, Joel \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Safai, Ahsha \(BOS\)](#); [Stefani, Catherine \(BOS\)](#)
Subject: "No Property Tax Increase" pass-throughs to tenants
Date: Thursday, April 11, 2024 3:01:22 PM

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Dear Supervisor Mandelman and fellow Supervisors,

The San Francisco Tenants Union supports the proposed legislation ([File 240174](#)) to update and reform the Rent Law's provision for pass-through of property tax increases due to the passage of General Obligation (G.O.) Bonds.

It's a fact that the City does not raise property taxes for G.O. Bonds. New bonds are only issued as old ones are retired. Under the Rent Law, tenants are paying a pass-through for a cost increase that no longer exists. Due to the issuance of City and County G.O. Bonds. Since 2005 tenants have been charged and have been paying for increases in property taxes when there have been no such increases. So, while property owners benefit from the "No Tax Increase" policy, tenants do not.

The legislation provides that the G.O. Bond Pass-Throughs will be calculated based upon the amount the property tax rate has increased due to general obligation bonds since the tenant's move-in date, or 2005, whichever is later. The result will be that the City's G.O. Bonds issued pursuant to the Capital Plan's "No Property Tax Increase" provision will not result in pass-throughs to tenants.

Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We urge you to support this legislation and consider joining as a co-sponsor.

Sincerely,
Anastasia Yovanopoulos, on behalf of
SF Tenants Union Steering Committee



April 11th, 2024

the Honorable Supervisors Ronen, Walton, and Safai
Members of the Rules Committee
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA, 94102

Re: [File 240174](#) Bond Pass-Throughs to Tenants

Dear Chair Ronen, Supervisor Walton, and Supervisor Safai,

I am writing on behalf of the Council of Community Housing Organizations to express our support for the Bond Pass-Through to Tenants legislation.

Bond financing is the most significant and consistent local revenue source to finance our city's core infrastructure needs, including the production and preservation of affordable housing, enabling our city to match the scale of our public investments with the citywide goals we have adopted. This legislation would update and reform the city's policy regarding pass-throughs of property tax increases following the passage of General Obligation Bonds so that landlords and tenants may share the burden of property tax increases that result from general obligation bond debt in a manner that reflects the City's debt management policies.

Since 2005, the City has adhered to a policy of issuing new General Obligation Bonds only when previous bond debt has been retired. This policy goal enables the city to not raise property taxes every time a new bond is issued. Unfortunately, the benefits of this policy have not been evenly shared among property owners and tenants. In recent years, San Francisco has experienced an increase in corporate ownership of rent-stabilized buildings. Some landlords in this category have raised tenant rents despite there being no actual costs for them to pass through. So, while property owners benefit from the "No Tax Increase" policy, tenants do not.

The legislation provides that the Bond Pass-throughs be calculated based upon the amount the property tax rate has increased from general obligation bonds since the tenant's move-in date, or 2005, whichever is later. The result will be that the City's General Obligation Bonds issued pursuant to the Capital Plan's "No Property Tax Increase" provision will not result in pass-throughs to tenants. Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We urge you to support this legislation.

Sincerely,

Charlie Sciammas
Policy Director



April 11, 2024

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

Re: [File 240174](#), assigned to Rules, under the 30 day rule – Bond Pass-Throughs to Tenants

Dear Supervisor Ronen,

We are writing to thank you for sponsoring legislation ([File 240174](#)) to update and reform the Rent Law's provision for pass-through of property tax increases due to the passage of General Obligation (G.O.) Bonds.

Since 2005, the City has adhered to a “No Tax Increase” policy articulated in the City’s Capital Plan when issuing bonds. Simply put, the City does not raise property taxes for G.O. Bonds. New bonds are only issued as old ones are retired. Even so, **under the Rent Law, tenants are paying a pass-through for a cost increase that no longer exists**. So, while property owners benefit from the “No Tax Increase” policy, tenants do not.

During this time, San Francisco has experienced an increase in corporate ownership of rent-stabilized buildings. The business plan of these corporate owners, Veritas being perhaps the most prominent, has been, in part, to specifically purchase buildings with possible but previously unimposed rent increases, promising their investors a return based upon the anticipated increases, and then immediately imposing them after purchase.

Nothing has been more pernicious than speculative rent increases based upon cost recovery of a **cost increase that does not exist**. Tenants have been paying for increases in property taxes due to the issuance of City and County G.O. Bonds when, since 2005, there have been no such increases.

This legislation will update the relevant Rent Law Bond Pass-Through provision to reflect the “No Property Tax Increase” policy in effect since 2005. City and County G.O. Bonds that adhere to the Capital Plan and therefore do not result in property tax increases for landlords will, by the same token, not result in Bond Pass-Throughs for tenants.

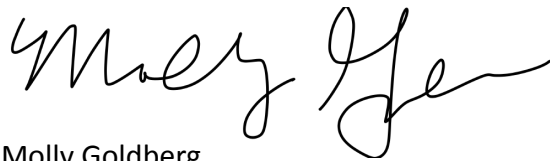
The legislation provides that the G.O. Bond Pass-Throughs will be calculated based upon the amount the property tax rate has increased due to general obligation bonds since the tenant’s move-in date, or 2005, whichever is later. **The result will be that the City’s G.O. Bonds issued**

pursuant to the Capital Plan’s “No Property Tax Increase” provision will not result in pass-throughs to tenants.

Other provisions of the legislation would allow tenants to seek relief based on financial hardship and would require landlords to file a copy of their bond pass-through worksheet with the Rent Board, a process that mimics one already in place for certain utility pass-throughs. The legislation will not result in a significant increase in workload for the Rent Board.

We appreciate your leadership in this common-sense effort.

Sincerely,



Molly Goldberg
Director, San Francisco Anti-Displacement Coalition
and:

Affordable Housing Alliance
AIDS Legal Referral Panel
Asian Law Caucus
Bill Sorro Housing Program (BiSHoP)
Causa Justa Just Cause
Housing Rights Committee of San Francisco

North Beach Tenants Committee
San Francisco Anti-Displacement Coalition
San Francisco Community Land Trust
San Francisco Tenants Union
South of Market Community Action
Veritas Tenants Association



From: [T.Flandrich](#)
To: [Ronen, Hillary \(BOS\)](#); [Walton, Shamann \(BOS\)](#); [Safai, Ahsha \(BOS\)](#)
Cc: [Peskin, Aaron \(BOS\)](#); [Angulo, Sunny \(BOS\)](#); [Young, Victor \(BOS\)](#); [Chan, Connie \(BOS\)](#); [Stefani, Catherine \(BOS\)](#); [Engardio, Joel \(BOS\)](#); [Preston, Dean \(BOS\)](#); [Dorsey, Matt \(BOS\)](#); [Melgar, Myrna \(BOS\)](#); [Mandelman, Rafael \(BOS\)](#); [Calvillo, Angela \(BOS\)](#)
Subject: Item #2 File 240174 Administrative, Municipal Elections Codes - General Obligation Bond Passthroughs SUPPORT
Date: Sunday, April 14, 2024 11:35:01 AM

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12. April 2024

Dear Chair Ronen, Supervisor Walton and Supervisor Safai,

I am writing in support of this common sense legislation which will primarily update the relevant Rent Law pass-through provision to reflect the “No Property Tax Increase” policy.

This update and clarification is obviously needed, not only because the outdated provision in the Rent Law has been producing significant Pass-Throughs for Property Tax Increases, ostensibly due to the passage of those same G.O. Bonds, when in fact those property tax increases do not exist, but also because of apparent confusion for both tenants and landlords.

As seen in some of the public comment letters, the mischaracterization of this legislation by MB Property Group (headquartered in Mill Valley) along with its affiliates, underscores the necessity for absolute clarity.

I want to thank President Peskin for bringing this forward today, and thank those of you who have already signed

on as co-sponsors. Please pass this legislation with recommendation to the full Board.

Theresa Flandrich
North Beach Tenants Committee