CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST
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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.

- 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 x 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 *(no cap)*

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	*Before Eviction*	*1 tenant*	*1 tenant*	*2 tenants*	*2 tenants*	*1 elderly tenant*
	After Eviction	*Same*	*Same*	*2 tenants move together*	*2 tenants move to own apts.*	*Same*
Housing	*Before Eviction*	*Studio*	*1 BR*	*2 BR*	*2 BR*	*Studio*
	After Eviction	*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*

		Change in Price Following an Ellis Act Withdrawal			
Use/Class Type	**# of Properties**	**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.

Project Staff: Fred Brousseau, Cody Xuereb

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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

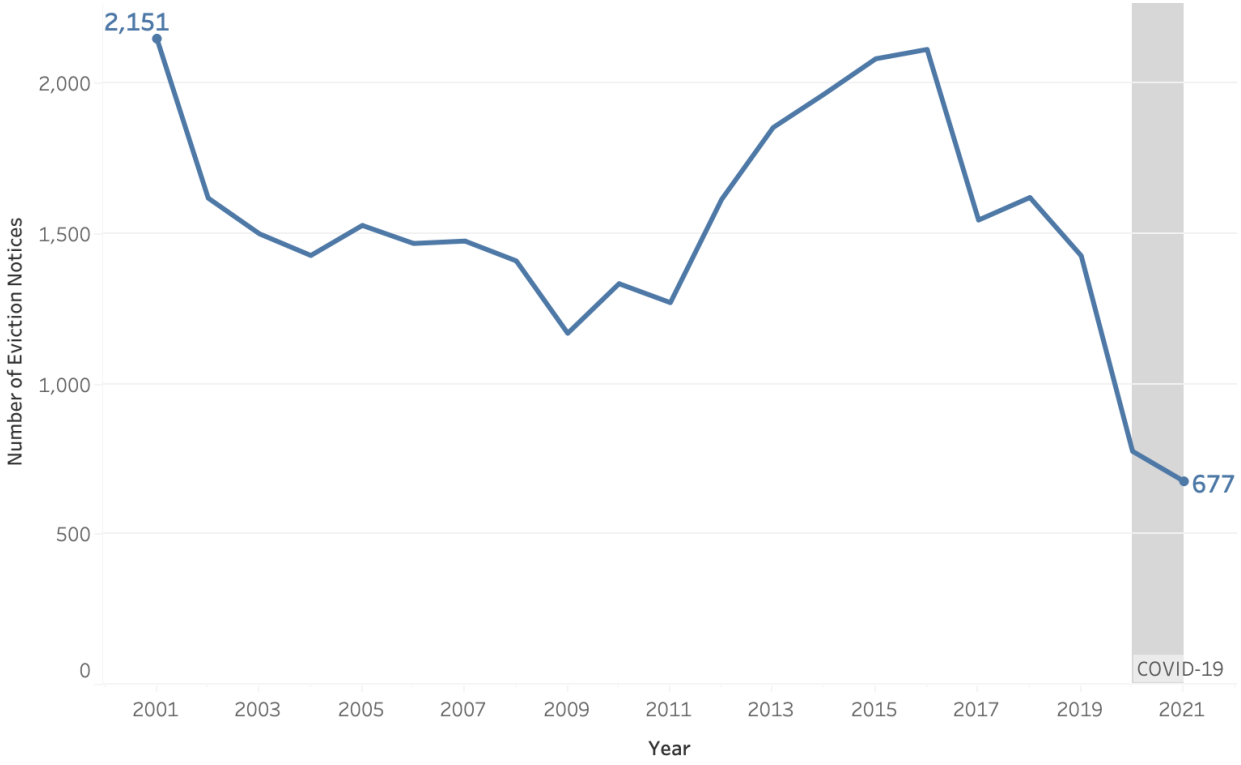
Though there have been increases and decreases in individual years, eviction notices reported to the San Francisco Rent Board in San Francisco have generally declined since 2001 from 2,151 to 1,428 in 2019, or by 34 percent, as shown in Exhibit 1. This is based on eviction notices filed with the San 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

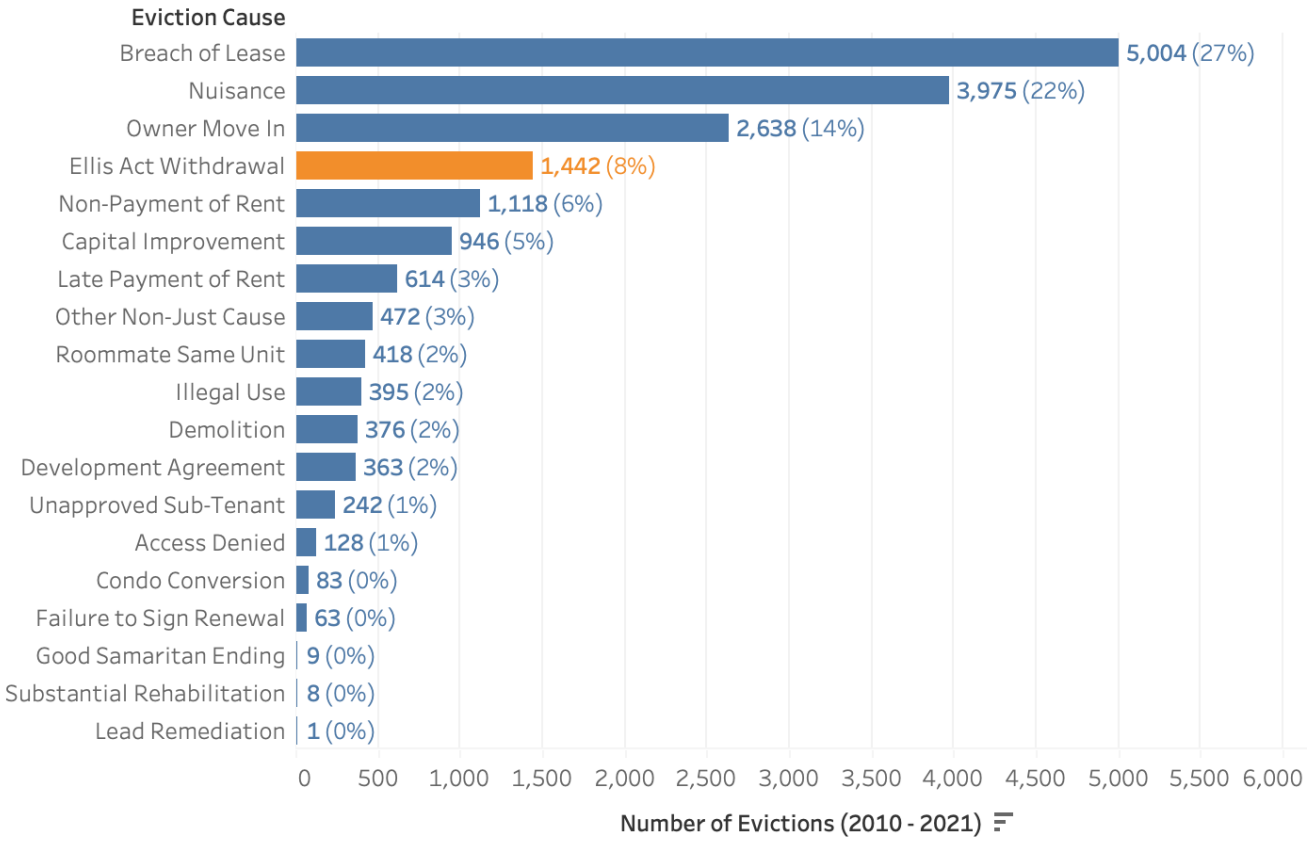
Despite the City's Rent Ordinance allowing 16 just cause reasons for an eviction, only five of those reasons were used in 77 percent, or the majority, of eviction notices filed with the Rent Board in the past 10 years. As shown in Exhibit 2 below, of the 18,295 eviction notices filed between January 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.

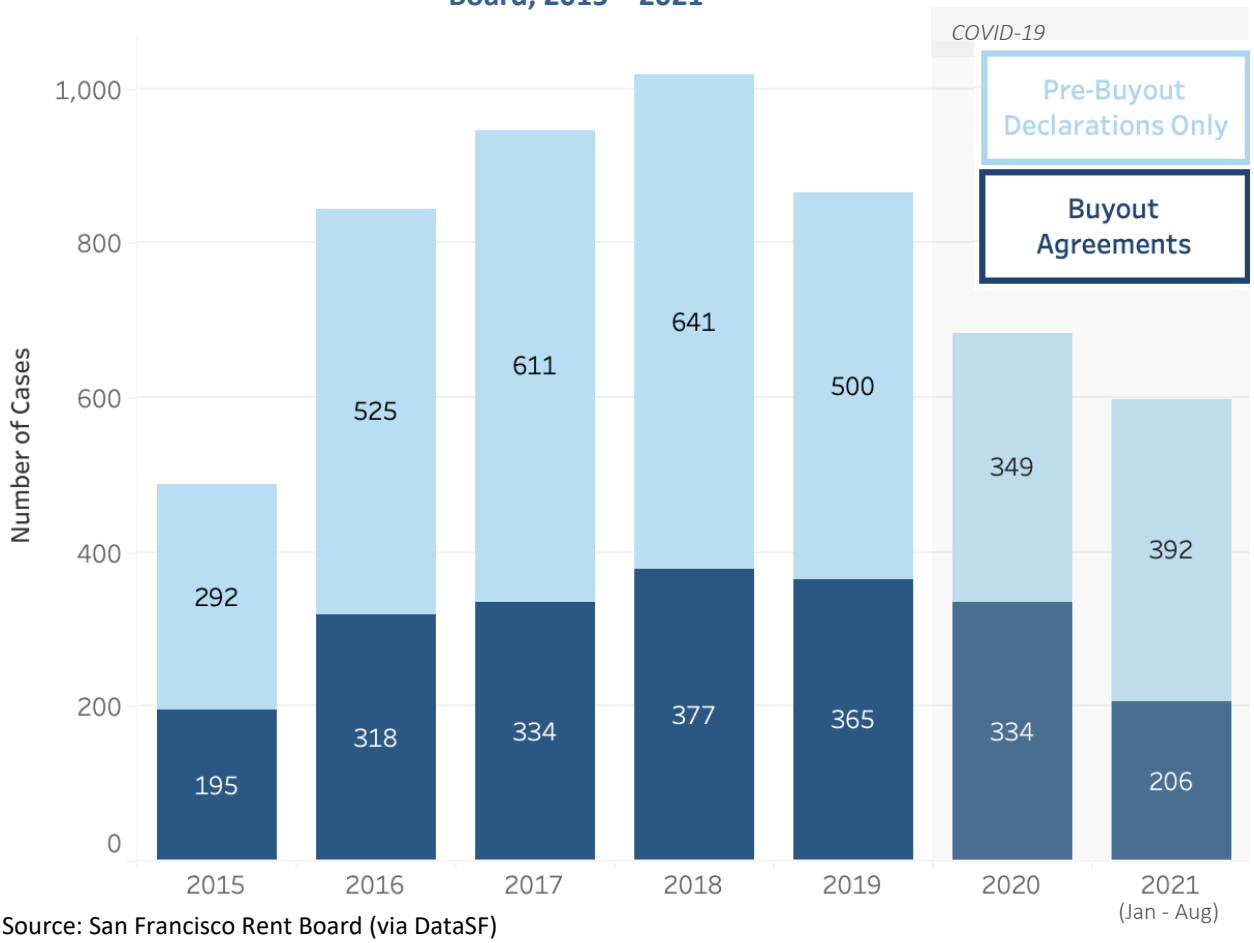
Buyout Agreements

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 negotiations[5], 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 *(no cap)*

Source: San Francisco Rent Board

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

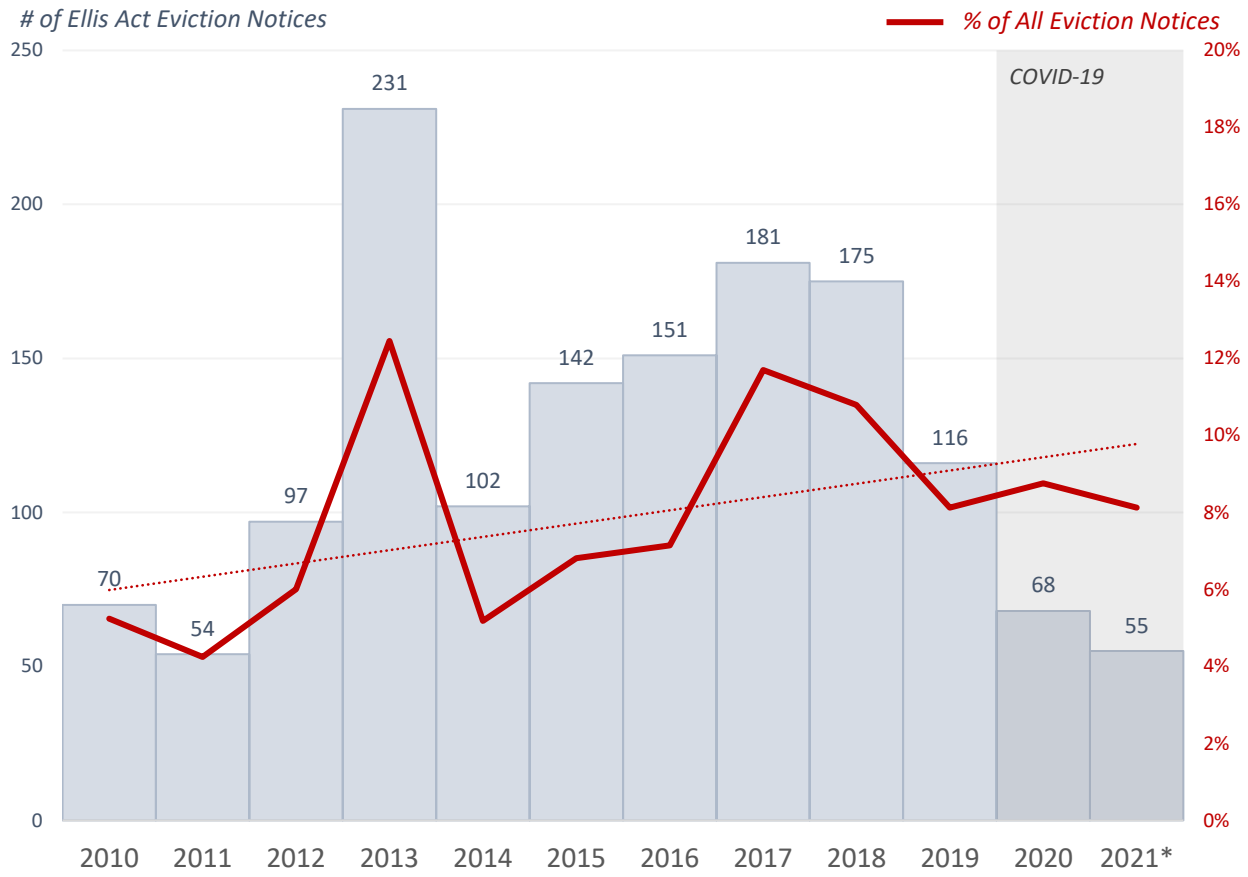
[b] Amounts required are $7,419.12 base, $4,946.07 for elderly/disabled, and $22,257.36 maximum, rounded for brevity.

[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*

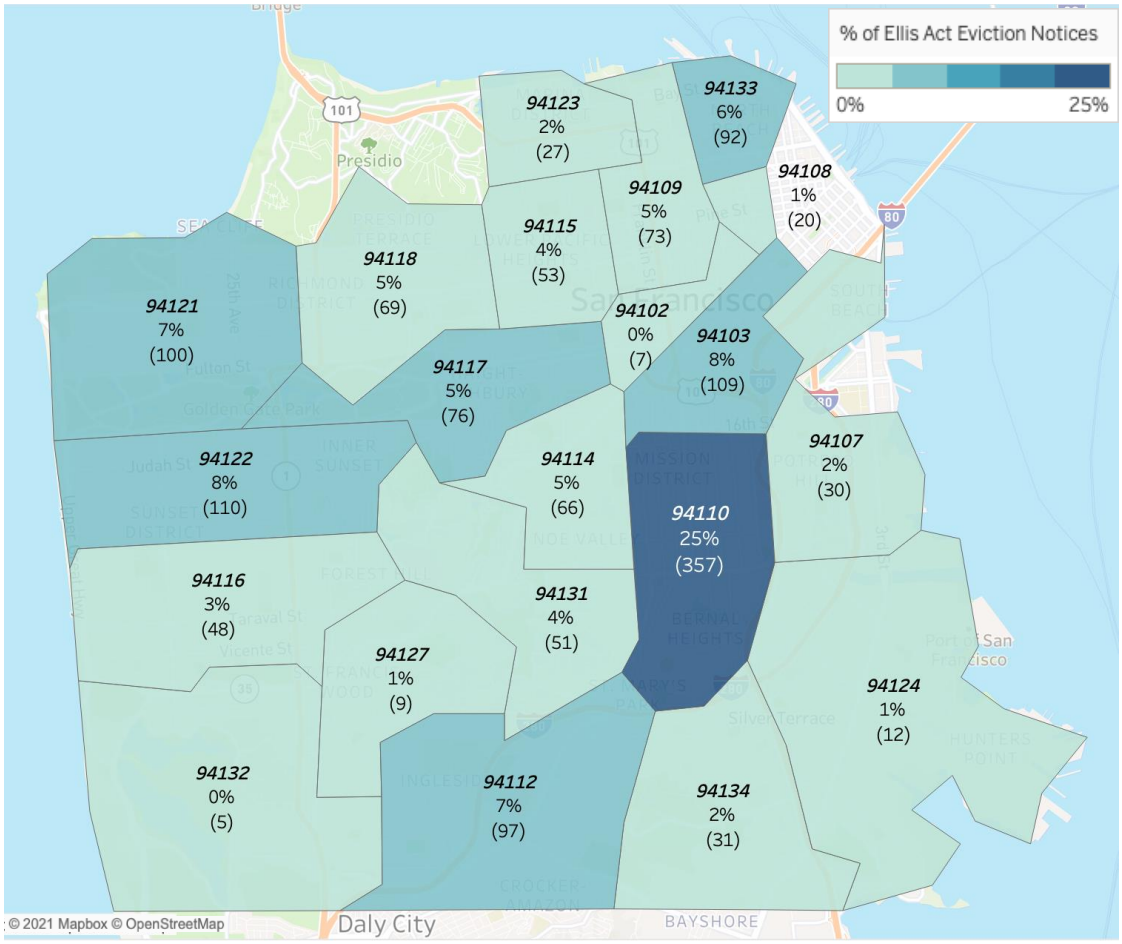


Source: San Francisco Rent Board (via DataSF)
*Includes data through September 2021
Notes: 2020 and 2021 presumed to be lower than prior years due to COVID-19 pandemic.
Trend line is based on line of best fit (R^2 or correlation factor = 0.22). Eviction notice numbers reported to DataSF differ slightly 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	*Before Eviction*	*1 tenant*	*1 tenant*	*2 tenants*	*2 tenants*	*1 elderly tenant*
	After Eviction	*Same*	*Same*	*2 tenants move together*	*2 tenants move to own apts.*	*Same*
Housing	*Before Eviction*	*Studio*	*1 BR*	*2 BR*	*2 BR*	*Studio*
	After Eviction	*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 2022[16], 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					
	Studio	**1 bed**	**2 beds**	**3 beds**	**4 beds**	**Elderly (Studio)**
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 data[18], 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.

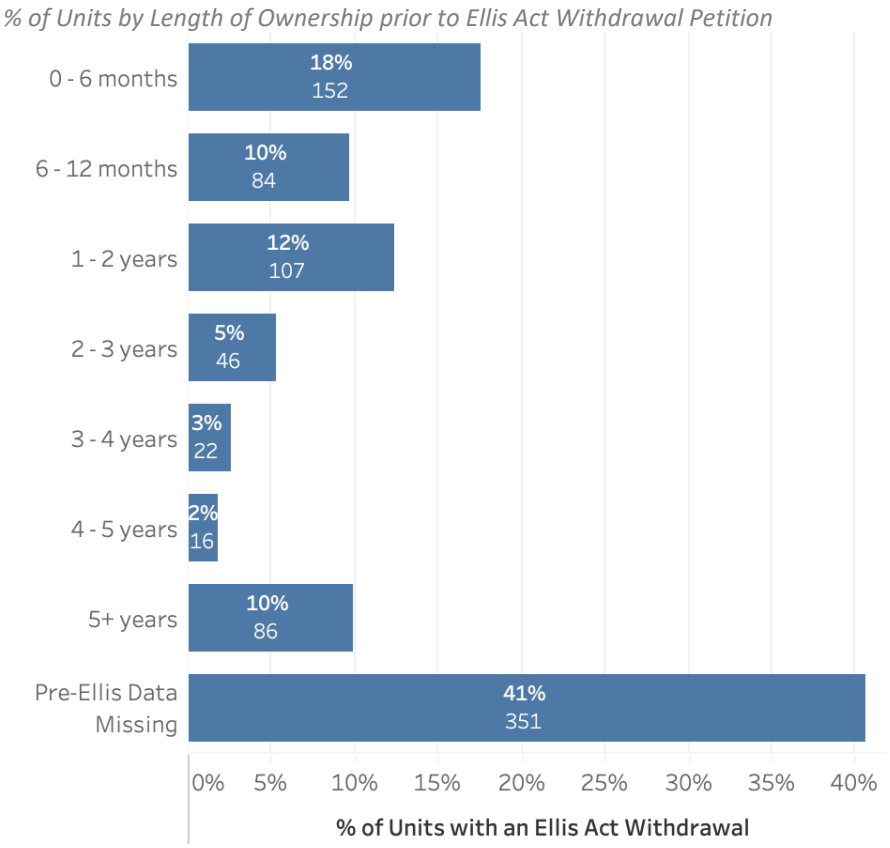
Additionally, 16.2 percent of the 377 properties with an Ellis Act withdrawal from 2014 to 2021 (61 in total) had a change in use or class type between 2011-12 and 2020-21, according to the Assessor-Recorder's Secured Property Roll data. Of these, almost a third (29.5 percent or 18 properties) appear 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*



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 withdrawal[22] 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*

		Change in Price Following an Ellis Act Withdrawal [a]			
Use/ Class Type	**# of Properties**	**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 data[23], 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

	# of bedrooms (# of tenants)					
	Studio *(1)*	**1 bed** *(1)*	**2 beds** *(2)*	**3 beds** *(3)*	**4 beds** *(4)*	**Elderly** *(Studio) (1)*
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.