

File No. 131089

Committee Item No. 4  
Board Item No. \_\_\_\_\_

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 11/20/2013

Board of Supervisors Meeting

Date: \_\_\_\_\_

**Cmte Board**

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| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU                                          |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
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**OTHER** (Use back side if additional space is needed)

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Completed by: Victor Young Date November 15, 2013  
Completed by: Victor Young Date \_\_\_\_\_

1 [Waiver of Payment in Lieu of Taxes - Housing Authority – FYs 1991-1992 to 2013-2014]

2  
3 **Resolution approving a waiver of the payment in lieu of taxes (PILOT) for FYs 1991-**  
4 **1992 to 2013-2014 from the Housing Authority of the City and County of San Francisco.**

5  
6 WHEREAS, Pursuant to a Cooperative Agreement dated January 21, 1965, the City  
7 and County of San Francisco (the City) agreed to exempt all public housing developments of  
8 the Housing Authority of the City and County of San Francisco (the Authority) from the  
9 payment of real and personal property taxes and special assessments, subject to the  
10 condition that the Authority would make payments in lieu of taxes (PILOT); and,

11 WHEREAS, Historically, the Board of Supervisors has waived PILOT payments for the  
12 Authority; and,

13 WHEREAS, A request from the Authority to continue the PILOT waiver from 1991 to  
14 1996 was not acted upon by the Bboard of Supervisors; and,

15 WHEREAS, Previous Authority administrations did not request a PILOT waiver after  
16 1996; and,

17 WHEREAS, The City annual budget has not included a PILOT payment from the  
18 Authority as a revenue; and,

19 WHEREAS, The June 3, 2013, Budget and Legislative Analyst audit report on the  
20 Authority recommended that the Authority seek approval from the Board of supervisors for a  
21 waiver of PILOT; and,

22 WHEREAS, The Authority requests a waiver of PILOT for the period 1991 through  
23 2013; and,

24 WHEREAS, The Authority will request a waiver of PILOT as part of the city's annual  
25 budget process beginning in the spring of 2014; now, therefore, be it

1           RESOLVED, That the San Francisco Board of Supervisors hereby approves the waiver  
2 of the PILOT payments due from the Housing Authority for the FYs 1990-2013.  
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<p><b>Item 4</b> <b>File 13-1089</b></p>	<p><b>Department:</b> San Francisco Housing Authority (SFHA)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution would waive payments in lieu of taxes that the San Francisco Housing Authority (SFHA) owes the City for the period from FY 1990 91 through FY 2012-13.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• On January 21, 1965, the City and the SFHA entered into a cooperative agreement that exempted all public housing developments from all real and personal property taxes and special assessments. According to the cooperative agreement, the SFHA and the City agreed to an annual payment in lieu of taxes equal to ten percent of the total rent charged by the SFHA to the occupants of the SFHA’s housing units during each fiscal year net of the SFHA’s utilities costs.</li> <li>• The Board of Supervisors waived the payments in lieu of taxes for the period from FY 1981-82 through FY 1989-90, but did not act on the waiver requests from the SFHA from FY 1990-91 through FY 1995-96. The SFHA has not submitted a waiver request to the Board of Supervisors since FY 1996-97.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution would exempt the SFHA from paying \$12,058,935 in lieu of taxes to the City for the period of FY 1990-91 through FY 2012-13. Although the SFHA owes the City payments in lieu of taxes, because the City does not include receipt of these payments in the annual budget, the waiver of these payments will not impact the City’s annual budget. According to the proposed resolution, the SFHA will request a waiver of the payment in lieu of taxes owed to the City as part of the City’s annual budget process, beginning in the spring of 2014</li> </ul>	
<p style="text-align: center;"><b>Policy Consideration</b></p>	
<ul style="list-style-type: none"> <li>• Out of ten housing authorities reviewed by the Budget and Legislative Analyst’s Office, four obtained waivers for payments in lieu of taxes and six made payments to local governmental entities. Whether the local government entities granted the waiver or required payment in lieu of taxes varied by year, depending on the financial condition of the housing authority.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

According to the cooperative agreement signed January 21, 1965 between the City and the San Francisco Housing Authority (SFHA), the SFHA is required to make annual payments to the City in lieu of real and personal property taxes or special assessments.

**Background**

On January 21, 1965, the City and the SFHA entered into a cooperative agreement that exempted all public housing developments from real and personal property taxes and special assessments. In FY 2012-13, those public developments consisted of 41 developments, including 404 buildings, and totaling 4,519,594 square feet of land.

According to the cooperative agreement, the SFHA and the City agreed to an annual payment in lieu of taxes equal to ten percent of the total rent charged by the SFHA to the occupants of the SFHA's housing units during each fiscal year net of the SFHA's utilities costs.

The Board of Supervisors waived the payments in lieu of taxes for the period from FY 1981-82 through FY 1989-90, but did not act on the waiver requests from the SFHA from FY 1990-91 through FY 1995-96. The SFHA has not submitted a waiver request to the Board of Supervisors since FY 1996-97.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would waive the payments in lieu of taxes owed by the SFHA to the City for the period from FY 1990-91 through FY 2012-13. According to the proposed resolution, the SFHA will request a waiver of the payment in lieu of taxes owed to the City as part of the City's annual budget process, beginning in the spring of 2014.

**FISCAL IMPACT**

The proposed resolution would waive payments in lieu of taxes owed by the SFHA to the City for the period from FY 1990-91 through FY 2012-13 in the amount of \$12,058,935 as shown in Table 1 below. Under the cooperative agreement, outstanding payments owed to the City are not subject to interest or penalties.

**Table 1: SFHA Payments in Lieu of Taxes Owed to the City by Fiscal Year  
Based on 10% of Rent Charged to Occupants of SFHA Housing Units**

<b>Fiscal Year*</b>	<b>Amount</b>
1990-91	\$700,348
1991-92	616,350
1992-93	613,932
1993-94	543,602
1994-95	451,456
1995-96	478,551
1996-97	443,255
1997-98	478,551
1998-99	525,734
1999-00	602,073
2000-01	408,279
2001-02	643,206
2002-03	560,354
2003-04	595,933
2004-05	548,772
2005-06	356,291
2006-07	518,082
2007-08	420,780
2008-09	576,480
2009-10	545,306
2010-11	460,650
2011-12	479,980
2012-13	490,970
<b>Total</b>	<b>\$12,058,935</b>

\* SFHA fiscal years are for the period of October 1 through September 30.

Although the SFHA owes the City the payment in lieu of taxes, because the City does not include receipt of these payments in the annual budget, the waiver of these payments will not impact the City's annual budget.

## **POLICY CONSIDERATION**

Out of ten housing authorities reviewed by the Budget and Legislative Analyst's Office, four obtained waivers for payments in lieu of taxes and six made payments to local governmental entities.<sup>1</sup>

<sup>1</sup> The 10 housing authorities were Seattle, Chicago, El Paso, Los Angeles, New York City, San Diego, Baltimore, Denver, Trenton, and Ventura.

Whether the local government entities granted the waiver or required payment in lieu of taxes varied by year, depending on the financial condition of the housing authority. For example, the Trenton Housing Authority (New Jersey) received waivers for tax years 2008 through 2010 but made a payment in lieu of taxes in 2011. The Chicago Housing Authority made its first payment in lieu of taxes in 50 years to Cook County (Illinois) in 2012.

Although the City called upon the State Legislature to authorize the New York City Housing Authority to forego future payments in lieu of taxes due to the New York City Housing Authority's budget shortfalls, the New York Housing Authority has continued to make payments in lieu of taxes of \$23 million per year.

In 2008, the City of Ventura amended their cooperation agreement with the Ventura Housing Authority to waive the payment in lieu of taxes and instead deposit the funds into the Housing Trust Fund for the acquisition and development of affordable housing. In 2013, the City of El Paso (Texas) waived the payment in lieu of taxes for the El Paso Housing Authority for ten years, requiring the funds to be allocated to childcare and social services to benefit Housing Authority residents.

#### **RECOMMENDATION**

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: *Edwin M. Lee* Mayor Edwin M. Lee  
RE: Waiver of Payment in Lieu of Taxes from the Housing Authority of the City and County of San Francisco  
DATE: November 5, 2013

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Attached for introduction to the Board of Supervisors is the resolution approving a waiver of the payment in lieu of taxes (PILOT) for fiscal years 1991 through 2013 from the Housing Authority of the City and County of San Francisco.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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