

BOARD of SUPERVISORS



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June 18, 2019

John Rahaim, Director
Planning Department
1650 Mission Street, Ste. 400
San Francisco, CA 94103

Dear Director Rahaim:

On June 13, 2019, Mayor Breed introduced the following amended legislation:

File No. 190495-2

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness of not-to-exceed \$600,000,000 to finance the construction, development, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of Affordable Housing Bond expenditures; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

The proposed ordinance is being transmitted to the Planning Department for review and determination regarding consistency with the City's General Plan and eight priority policies of Planning Code, Section 101.1. The ordinance is pending before the Budget and Finance Committee and will be scheduled for hearing following receipt of your response.

Angela Calvillo, Clerk of the Board

for By: *Linda Wong*, Assistant Clerk
Budget and Finance Committee

Attachment

- c: Jonas Ionin, Director of Commission Affairs
- Dan Sider, Director of Executive Programs
- Aaron Starr, Manager of Legislative Affairs
- AnMarie Rodgers, Director of Citywide Planning
- Scott Sanchez, Acting Deputy Zoning Administrator
- Corey Teague, Zoning Administrator
- Lisa Gibson, Environmental Review Officer
- Devyani Jain, Deputy Environmental Review Officer
- Joy Navarrete, Environmental Planning
- Laura Lynch, Environmental Planning

1 [General Obligation Bond Election - Affordable Housing - Not to Exceed \$600,000,000]

2
3 **Ordinance calling and providing for a special election to be held in the City and County**
4 **of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to**
5 **San Francisco voters a proposition to incur bonded indebtedness of not-to-exceed**
6 **\$600,000,000 to finance the construction, development, acquisition, improvement,**
7 **rehabilitation, preservation, and repair of affordable housing improvements, and**
8 **related costs necessary or convenient for the foregoing purposes; authorizing**
9 **landlords to pass-through 50% of the resulting property tax increase to residential**
10 **tenants under Administrative Code Chapter 37; providing for the levy and collection of**
11 **taxes to pay both principal and interest on such Bonds; incorporating the provisions of**
12 **the Administrative Code relating to the Citizens' General Obligation Bond Oversight**
13 **Committee's review of Affordable Housing Bond expenditures; setting certain**
14 **procedures and requirements for the election; adopting findings under the California**
15 **Environmental Quality Act; and finding that the proposed Bonds are in conformity with**
16 **the General Plan, and with the eight priority policies of Planning Code, Section**
17 **101.1(b).**

18 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
19 **Additions to Codes** are in *single-underline italics Times New Roman font*.
20 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
21 **Board amendment additions** are in double-underlined Arial font.
22 **Board amendment deletions** are in ~~strikethrough Arial font~~.
23 **Asterisks (* * * *)** indicate the omission of unchanged Code
24 subsections or parts of tables.

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

25 Section 1. Findings.

1 A. The City and County of San Francisco (“City”) has been reported to have the
2 highest median rent in the United States with a one-bedroom apartment asking monthly rent
3 of \$3,700 according to the April 2019 National Rent Report on the rental listing website
4 Zumper.

5 B. The City is also one of the highest-priced home ownership markets in the United
6 States with a median home sales price of \$1.353 million, a 3% increase from the previous
7 year according to the April 2019 report by real estate website Zillow.

8 C. The Mayor’s Office of Housing and Community Development (“MOHCD”)
9 continues to see a widening affordability gap for extremely-low, low and middle-income
10 households in both the rental and homeownership markets.

11 D. The affordability gap has the greatest impact on extremely-low and low-income
12 households such as seniors, persons with disabilities, low-income working families, and
13 veterans.

14 E. Limited state and federal resources and the high cost of housing development
15 put a greater burden on local governments to contribute their own limited resources, and
16 consequently the City’s supply of affordable housing has not kept pace with demand.

17 F. The housing need in the City is also particularly acute for middle-income
18 households, for whom there are no federal and limited state financing programs that the City
19 can leverage with its own subsidies.

20 G. The U.S. Department of Housing and Urban Development’s contribution of funds
21 to the San Francisco Housing Authority (“Housing Authority”) for costs to operate public
22 housing, have seen a steady decrease in funding levels.

23 H. The average annual household income for Housing Authority residents and
24 voucher-holders is less than \$20,000.

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1 I. The housing affordability gap that has arisen and expanded in the local housing
2 market inhibits the City from ensuring that economic diversity is maintained.

3 J. These high housing costs can inhibit healthy and balanced economic growth in
4 our region.

5 K. The failure to build affordable housing close to job centers such as San
6 Francisco results in long commutes, road congestion, and environmental harm as people
7 seek affordable housing at greater distances from where they work.

8 L. The proposed Bonds will provide a portion of the critical funding necessary to
9 construct, acquire, improve, rehabilitate, preserve, and repair affordable housing in the City
10 (as further defined in Section 3 below).

11 Section 2. A special election is called and ordered to be held in the City on Tuesday,
12 November 5, 2019, for the purpose of submitting to the electors of the City a proposition to
13 incur bonded indebtedness of the City for the programs described in the amount and for the
14 purposes stated (herein collectively, the "Project"):

15 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. \$600,000,000 to construct,
16 develop, acquire, and preserve housing affordable to extremely-low, low- and middle-income
17 households through programs that will prioritize vulnerable populations such as San
18 Francisco's working families, veterans, seniors, and persons with disabilities; to assist in the
19 acquisition, rehabilitation, and preservation of existing affordable housing to prevent the
20 displacement of residents; to repair and reconstruct distressed and dilapidated public housing
21 developments and their underlying infrastructure; to assist the City's middle-income residents
22 or workers in obtaining affordable rental or home ownership opportunities including down
23 payment assistance and support for new construction of affordable housing for San Francisco
24 Unified School District and City College of San Francisco employees; and to pay related
25 costs; with a duration of up to 30 years from the time of issuance, an estimated average tax

1 rate of \$0.019/\$100 of assessed property value, and projected average annual revenues of
2 \$50,000,000, all subject to independent citizen oversight and regular audits; and authorizing
3 landlords to pass-through to residential tenants in units subject to Administrative Code
4 Chapter 37 (the "Residential Rent Stabilization and Arbitration Ordinance") 50% of the
5 increase in the real property taxes attributable to the cost of the repayment of such Bonds.

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

8 Section 3. PROPOSED PROGRAM. Contractors and City departments shall
9 comply with all applicable City laws when awarding contracts or performing work funded with
10 the proceeds of Bonds authorized by this measure, including:

11 A. PUBLIC HOUSING: \$150,000,000 of Bond proceeds will be allocated to repair
12 and reconstruct distressed and dilapidated public housing developments and their underlying
13 infrastructure.

14 B. LOW INCOME HOUSING: \$220,000,000 of Bond proceeds will be allocated to
15 construct, acquire, and rehabilitate rental housing serving extremely-low and low-income
16 individuals and families. It is intended that a portion of proceeds of the Bonds will be used to
17 assist members of the City's workforce in jobs with traditionally low compensation levels, such
18 as San Francisco Unified School District and City College of San Francisco employees,
19 nonprofit workers, health care service workers, and service sector employees.

20 C. PRESERVATION AND MIDDLE INCOME HOUSING: \$60,000,000 of Bond
21 proceeds will be allocated to preservation and middle income housing efforts. This allocation
22 shall be comprised of the following: up to \$30 million of the Bond proceeds will be allocated to
23 acquire and/or rehabilitate existing housing at risk of losing affordability, whether through
24 market forces or a building's physical disrepair, and a minimum of \$30 million of the Bond
25 proceeds will be allocated to assist middle-income City residents or workers in obtaining

1 affordable homeownership or rental opportunities.

2 D. SENIOR HOUSING: \$150,000,000 of Bond proceeds will be allocated to
3 acquire and construct new senior housing.

4 E. EDUCATOR HOUSING: \$20,000,000 of Bond proceeds will be allocated to
5 support predevelopment and new construction of permanent affordable housing opportunities
6 or projects serving San Francisco Unified School District and City College of San Francisco
7 educators and employees earning between 30% and 140% of AMI at the time the bonds are
8 issued.

9 F. CITIZENS' OVERSIGHT COMMITTEE. A portion of the Bond shall be used to
10 perform audits of the Bond, as further described in Section 4 and Section 15 below.

11 Section 4. BOND ACCOUNTABILITY MEASURES.

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

13 A. OVERSIGHT. The proposed Bond funds shall be subject to approval processes
14 and rules described in the San Francisco Charter and Administrative Code. Pursuant to
15 Administrative Code Section 5.31, the Citizens' General Obligation Bond Oversight
16 Committee shall conduct an annual review of Bond spending, and shall provide an annual
17 report of the Bond program to the Mayor and the Board of Supervisors ("Board").

18 B. TRANSPARENCY. The City shall create and maintain a web page outlining and
19 describing the bond program, progress, and activity updates. The City shall also hold an
20 annual public hearing and review on the bond program and its implementation before the
21 Capital Planning Committee and the Citizens' General Obligation Bond Oversight Committee.

22 Section 5. The estimated cost of the bond-financed portion of the project described
23 in Section 2 above was fixed by the Board by the following resolution and in the amount
24 specified below:

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1 Resolution No. _____, on file with the Clerk of the Board in File No.
2 _____ \$600,000,000.

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

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

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

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

20 Section 7. The Bond Special Election is consolidated with the General Election
21 scheduled to be held in the City on Tuesday, November 5, 2019 ("General Election"). The
22 voting precincts, polling places, and officers of election for the General Election are hereby
23 adopted, established, designated, and named, respectively, as the voting precincts, polling
24 places, and officers of election for the Bond Special Election called, and reference is made to
25 the notice of election setting forth the voting precincts, polling places, and officers of election

1 for the General Election by the Director of Elections to be published in the official newspaper
2 of the City on the date required under the laws of the State.

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

8 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction,
9 development, acquisition, and preservation of housing affordable to extremely-low, low and
10 middle-income households through programs that will prioritize vulnerable populations such
11 as San Francisco's working families, veterans, seniors, and persons with disabilities; to assist
12 in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the
13 displacement of residents; to repair and reconstruct distressed and dilapidated public housing
14 developments and their underlying infrastructure; to assist the City's middle-income residents
15 or workers in obtaining affordable rental or home ownership opportunities including down
16 payment assistance and support for new construction of affordable housing for San Francisco
17 Unified School District and City College of San Francisco employees; and to pay related
18 costs; shall the City and County of San Francisco issue \$600,000,000 in general obligation
19 bonds with a duration of up to 30 years from the time of issuance, an estimated average tax
20 rate of \$0.019/\$100 of assessed property value, and projected average annual revenues of
21 \$50,000,000, subject to independent citizen oversight and regular audits?"

22 The City's current debt management policy is to maintain the property tax rate for City
23 general obligation bonds below the 2006 rate by issuing new general obligation bonds as
24 older ones are retired and the tax base grows, though this property tax rate may vary based
25 on other factors.

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

4 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the
5 voters voting on the proposition voted in favor of and authorized the incurring of bonded
6 indebtedness for the purposes set forth in such proposition, then such proposition shall have
7 been accepted by the electors, and the Bonds authorized shall be issued upon the order of
8 the Board. Such Bonds shall bear interest at a rate not exceeding that permitted by law.

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

12 Section 10. The actual expenditure of Bond proceeds provided for in this ordinance
13 shall be net of financing costs.

14 Section 11. For the purpose of paying the principal and interest on the Bonds, the
15 Board shall, at the time of fixing the general tax levy and in the manner for such general tax
16 levy provided, levy and collect annually each year until such Bonds are paid, or until there is a
17 sum in the Treasury of the City, or other account held on behalf of the Treasurer of the City,
18 set apart for that purpose to meet all sums coming due for the principal and interest on the
19 Bonds, a tax sufficient to pay the annual interest on such Bonds as the same becomes due
20 and also such part of the principal thereof as shall become due before the proceeds of a tax
21 levied at the time for making the next general tax levy can be made available for the payment
22 of such principal.

23 Section 12. This ordinance shall be published in accordance with any State law
24 requirements, and such publication shall constitute notice of the Bond Special Election and no
25 other notice of the Bond Special Election hereby called need be given.

1 Section 13. The Board, having reviewed the proposed legislation, makes the following
2 findings in compliance with the California Environmental Quality Act ("CEQA"), California
3 Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative
4 Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco Administrative Code
5 Chapter 31 ("Chapter 31"): The Environmental Review Officer determined that this legislation
6 is not defined as a project subject to CEQA because it is a funding mechanism involving no
7 commitment to any specific projects at any specific locations, as set forth in CEQA Guidelines
8 Section 15378.

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

16 Section 15. Under Section 53410 of the California Government Code, the Bonds shall
17 be for the specific purpose authorized in this ordinance and the proceeds of such Bonds will
18 be applied only for such specific purpose. The City will comply with the requirements of
19 Sections 53410(c) and 53410(d) of the California Government Code.

20 Section 15. The Bonds are subject to, and incorporate by reference, the applicable
21 provisions of Administrative Code Sections 5.30-5.36 (the "Citizens' General Obligation Bond
22 Oversight Committee"). Under Administrative Code Section 5.31, to the extent permitted by
23 law, 0.1% of the gross proceeds of the Bonds shall be deposited in a fund established by the
24 Controller's Office and appropriated by the Board of Supervisors at the direction of the
25 Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

1 Section 16. The time requirements specified in Administrative Code Section 2.34 are
2 waived.

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

10 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
11 account under general federal income tax principles (determined in each case as of the date
12 of the Expenditure), (b) a cost of issuance with respect to the Bonds, or (c) a nonrecurring
13 item that is not customarily payable from current revenues. The maximum aggregate principal
14 amount of the Bonds expected to be issued for the Project is \$600,000,000. The City shall
15 make a reimbursement allocation, which is a written allocation by the City that evidences the
16 City's use of proceeds of the applicable series of Bonds to reimburse an Expenditure, no later
17 than 18 months after the later of the date on which the Expenditure is paid or the related
18 portion of the Project is placed in service or abandoned, but in no event more than three years
19 after the date on which the Expenditure is paid. The City recognizes that exceptions are
20 available for certain "preliminary expenditures," costs of issuance, certain de minimis
21 amounts, expenditures by "small issuers" (based on the year of issuance and not the year of
22 expenditure) and Expenditures for construction projects of at least five years.

23 Section 18. The appropriate officers, employees, representatives, and agents of the
24 City are hereby authorized and directed to do everything necessary or desirable to accomplish
25 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions

1 of this ordinance.

2 Section 19. Documents referenced in this ordinance are on file with the Clerk of the
3 Board of Supervisors in File No. 190495, which is hereby declared to be a part of this
4 ordinance as if set forth fully herein.

5

6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA,
8 City Attorney

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10 By:



11 MARK D. BLAKE
12 Deputy City Attorney

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LEGISLATIVE DIGEST

[General Obligation Bond Election - Affordable Housing - Not to Exceed \$600,000,000]

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, November 5, 2019, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness of not-to-exceed \$600,000,000 to finance the construction, development, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of Affordable Housing Bond expenditures; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

Existing Law

General Obligation Bonds of the City and County of San Francisco may be issued only with the assent of two-thirds of the voters voting on the proposition.

Ballot Proposition

This ordinance authorizes the following ballot proposition to be placed on the November 5, 2019 ballot:

"SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction, development, acquisition, and preservation of housing affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, and persons with disabilities; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs; shall the City and County of San Francisco issue \$600,000,000 in general obligation bonds with a duration of up to 30 years from the time of issuance, an estimated average tax rate of \$0.019/\$100 of assessed property value, and projected average

AMENDED IN COMMITTEE
6/13/2019

FILE NO. 190495

annual revenues of \$50,000,000, subject to independent citizen oversight and regular audits?"

The ordinance fixes the maximum rate of interest on the Bonds, and provides for a levy and collection of taxes to repay both the principal and interest on the Bonds. The ordinance also describes the manner in which the Bond Special Election will be held, and the ordinance provides for compliance with applicable state and local laws. The proposed ordinance includes accountability and transparency measures.

Background Information

The City and County of San Francisco ("City") has been reported to have the highest rental and homeownership markets in the United States. The Mayor's Office of Housing and Community Development (MOHCD) continues to see a widening affordability gap for extremely-low, low and middle-income households in both the rental and homeownership markets. Moreover, the affordability gap continues to grow and has the greatest impact on extremely-low and low-income households such as seniors, persons with disabilities, low-income working families and veterans.

Given the limited state and federal resources, and the high cost of housing development, significant burdens have been placed on the limited resources of local government. As a consequence the City's supply of affordable housing has not kept pace with demand. This is particularly acute for middle-income households, for whom there are no federal and limited state financing programs that the City can leverage with its own subsidies.

The proposed Bonds will provide a portion of the critical funding necessary to construct, acquire, improve, rehabilitate, preserve, and repair affordable housing in the City, including \$150,000,000 for public housing, \$220,000,000 for low income housing, \$60,000,000 for preservation and middle income housing, \$150,000,000 for senior housing and \$20,000,000 for educator housing (all as further described in the ordinance, and the 2019 Affordable Housing Bond Report prepared by MOHCD).

The Board of Supervisors found that the amount of money specified for this project is and will be too great to be paid out of the ordinary annual income and revenue of the City, and will require expenditures greater than the amount allowed therefor by the annual tax levy.

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