

BOARD of SUPERVISORS



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

MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee
Board of Supervisors

DATE: September 15, 2023

SUBJECT: GENERAL OBLIGATION BOND INTRODUCED
March 5, 2024 Election

The Board of Supervisors' Budget and Finance Committee has received the following General Obligation Bond legislation for the March 5, 2024, Election, introduced by Supervisor Aaron Peskin. These matters are being referred to you in accordance with Administrative Code 2.33.

File No. 230971

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, March 5, 2024, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness of not to exceed \$300,000,000 subject to independent citizen oversight and regular audits, to finance the construction, development, acquisition, and/or rehabilitation of rental affordable housing, including workforce housing and senior housing, for households ranging from extremely low-income to moderate-income households; 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; affirming a determination under the California Environmental Quality Act; and finding that the proposed Bond is consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1.

File No. 230972

Resolution determining and declaring that the public interest and necessity demand the construction, development, acquisition, and/or rehabilitation of rental affordable housing projects, and related costs necessary or convenient for the foregoing purposes; to be financed through bonded indebtedness in an amount not to exceed \$300,000,000 subject to independent citizen oversight and regular audits; 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; affirming a determination under the California Environmental Quality Act; and finding that the proposed Bond is consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1.

Please review and prepare a financial analysis of the proposed measure prior to the first Budget and Finance Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7712 or email: brent.jalipa@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Deputy City Controller
 Natasha Mihal, City Performance Director
 Janice Levy, Office of the Controller

1 [General Obligation Bond Election - Affordable Housing - Not to Exceed \$300,000,000]

2
3 **Ordinance calling and providing for a special election to be held in the City and County**
4 **of San Francisco on Tuesday, March 5, 2024, for the purpose of submitting to**
5 **San Francisco voters a proposition to incur bonded indebtedness of not to exceed**
6 **\$300,000,000 subject to independent citizen oversight and regular audits, to finance the**
7 **construction, development, acquisition, and/or rehabilitation of rental affordable**
8 **housing, including workforce housing and senior housing, for households ranging**
9 **from extremely low-income to moderate-income households; and related costs**
10 **necessary or convenient for the foregoing purposes; authorizing landlords to pass-**
11 **through 50% of the resulting property tax increase to residential tenants under**
12 **Administrative Code, Chapter 37; providing for the levy and collection of taxes to pay**
13 **both principal and interest on such Bonds; incorporating the provisions of the**
14 **Administrative Code relating to the Citizens' General Obligation Bond Oversight**
15 **Committee's review of Affordable Housing Bond expenditures; setting certain**
16 **procedures and requirements for the election; affirming a determination under the**
17 **California Environmental Quality Act; and finding that the proposed Bond is consistent**
18 **with the General Plan, and with the eight priority policies of Planning Code, Section**
19 **101.1.**

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

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

1 Section 1. Findings.

2 A. The General Plan 2022 Housing Element (“2022 Housing Element”) of the City
3 and County of San Francisco (“City”) details the City’s goals, objectives, and corresponding
4 policies and programs to meet the housing needs of all San Francisco residents, with a focus
5 on racial and social equity. This includes the objective to substantially expand the amount of
6 affordable housing for extremely low- to moderate-income households and expand housing
7 opportunities for middle-income households (as defined in Section 3 below) (2022 Housing
8 Element, Objectives 4.A and 4.B), as well as the requirement for San Francisco to plan for
9 and support the production of 46,598 affordable housing units over the next eight years as
10 mandated by the Regional Housing Needs Allocation Plan.

11 B. The U.S Department of Housing and Urban Development (HUD) considers
12 housing to be “affordable” when a household spends 30 percent or less of their income on
13 housing costs, including rent and utilities. In 2022, the median rent for a 2-bedroom apartment
14 was \$3,800, affordable to a household earning \$137,000; less than 40 percent of San
15 Francisco households earn this income. (2022 Housing Element, Goal 4).

16 C. The need for affordable housing was severely exacerbated during the
17 COVID-19 pandemic, when the City’s unemployment rate rose to 13 percent in April 2020
18 from 2.2 percent in February 2020. As a result, the City invested in policies and programs to
19 support residents at risk of eviction, foreclosure, and displacement due to loss of income
20 related to the pandemic. These investments included (i) establishment of the Emergency
21 Rental Assistance Program, (ii) expansion of the Homeowner Emergency Loan Program, and
22 (iii) issuance of a moratorium on evictions due to nonpayment of rent.

23 D. While these policies and programs provided temporary support, overwhelming
24 demand far exceeded and continues to exceed the City’s available resources. The City’s
25 economy is still recovering from the pandemic, and the impacts of the pandemic will have

1 lasting effects, particularly for families and individuals that were disproportionately impacted
2 by the pandemic (2022 Housing Element, Figure 33).

3 E. The City’s ability to produce the affordable rental housing it needs has been
4 significantly impacted by the limited availability of state and federal resources. From 2018 to
5 2022, for every \$1 of local funding invested by the City to create affordable housing, the City’s
6 affordable housing projects received \$2 in funding from state and federal sources. As detailed
7 in the 2024 Affordable Housing Bond Report, the economic environment for affordable
8 housing has changed significantly in recent years, with state affordable housing funding
9 programs becoming more competitive and severely oversubscribed, including the state’s
10 allocation of volume cap for tax-exempt housing revenue bonds.

11 F. The City contributes significant resources to ensure project delivery. San
12 Francisco voters have approved measures to create local funds dedicated to the construction,
13 preservation, and rehabilitation of affordable housing, including the 2012 Housing Trust Fund
14 and affordable housing general obligation bonds in 2015 and 2019. The City’s local funds
15 from the 2015 and 2019 bonds are projected to be exhausted by 2028 (2024 Affordable
16 Housing Bond Report). Additional sources of affordable housing funds from the City’s impact
17 fees have been decreasing due to the economic environment, such as the Jobs-Housing
18 Linkage Fee (Planning Code, Sec. 413), the Inclusionary Affordable Housing Program
19 (Planning Code, Sec. 415), various development agreements, and other impact fees. Funding
20 from such sources decreased by 95 percent between Fiscal Year 2019-2020 and Fiscal Year
21 2021-2022. Moreover, the Office of the Controller’s FY 2023-2024 and 2024-2025 Revenue
22 Letter projects only modest tax revenue growth over the coming years, severely limiting the
23 amount of resources the City will have to fund the development of affordable housing.

24 G. The City’s economic future and ongoing recovery will ultimately depend on its
25 ability to produce and preserve enough affordable housing to ensure the City’s economically

1 diverse households can equitably access housing and remain stably housed in San
2 Francisco. Failure to meet this need will result in the displacement of more households to
3 areas with more affordable housing. This displacement could result in (i) greater disparity
4 between above moderate-income and lower-income households in the City with little change
5 to the City's median income levels as determined by the U.S. Census Bureau; and (ii) long
6 commutes, road congestion, and environmental harm as people seek affordable housing at
7 greater distances from where they work.

8 H. The proposed Bond is recommended in the City's 10-year capital plan, approved
9 each odd-numbered year by the Mayor and this Board of Supervisors ("Board").

10 I. The proposed Bond will provide a portion of the critical funding necessary to
11 construct, develop, acquire, and/or rehabilitate rental affordable housing projects in the City
12 (as further defined in Section 3 below).

13 Section 2. A special election is called and ordered to be held in the City on Tuesday,
14 March 5, 2024, for the purpose of submitting to the electors of the City a proposition to incur
15 bonded indebtedness of the City for the programs described in the amount and for the
16 purposes stated (herein collectively, the "Project"):

17 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. \$300,000,000 to construct,
18 develop, acquire, and/or rehabilitate housing, including workforce housing and senior housing,
19 that will be affordable to households ranging from extremely low-income to moderate-income
20 households, subject to independent citizen oversight and regular audits; with a duration of up
21 to 30 years from the time of issuance, an estimated average tax rate of \$0.0057/\$100 of
22 assessed property value, and projected average annual revenues of \$25,000,000; and
23 authorizing landlords to pass-through to residential tenants in units subject to Administrative
24 Code Chapter 37 (the "Residential Rent Stabilization and Arbitration Ordinance") 50 percent
25 of the increase in the real property taxes attributable to the cost of the repayment of such

1 Bonds.”

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

4 Section 3. PROPOSED PROGRAM. The City intends to allocate the Bond proceeds
5 described below to provide to extremely low-, very low-, lower-, and moderate-income
6 households in San Francisco affordable housing rental and homeownership opportunities in
7 accordance with policies and programs set forth by the 2022 Housing Element. “Median
8 Income” is the median income for the City and County of San Francisco determined annually
9 by the Mayor’s Office of Housing and Community Development (“MOHCD”), adjusted solely
10 for household size, and derived in part from the income limits and area median income
11 determined by HUD for the San Francisco Metro Fair Market Rent Area, but not adjusted for a
12 high housing cost area. For this Bond, income levels are defined as follows: households
13 earning up to 30 percent of Median Income are “extremely low-income”; households earning
14 up to 50 percent of Median Income are “very low-income”; households earning up to 80
15 percent of Median Income are “lower-income households”; and households earning up to 120
16 percent of Median Income are “moderate-income households”. Contractors and City
17 departments shall comply with all applicable City laws when awarding contracts or performing
18 work funded with the proceeds of Bonds authorized by this measure.

19 A. CONSTRUCTION: Up to \$240,000,000 of Bond proceeds will be allocated to
20 construct, develop, acquire, and/or rehabilitate new affordable rental housing, including senior
21 housing and workforce housing, serving extremely low-income households, very low-income
22 households, and lower-income households.

23 B. PRESERVATION: Up to \$30,000,000 of Bond proceeds will be allocated to
24 construct, develop, acquire, and/or rehabilitate rental housing, so as to preserve it as
25 affordable for lower-income households and moderate-income households.

1 C. VICTIMS AND SURVIVORS HOUSING: Up to \$30,000,000 of Bond proceeds
2 will be allocated to construct, develop, acquire, and/or rehabilitate housing for extremely-low
3 income households, very low-income households, and/or lower-income households who need
4 safe and stable housing, and are experiencing (i) trauma-informed homelessness, (ii) street
5 violence, (iii) domestic violence and abuse, (iv) sexual abuse and assault, and/or (v) human
6 trafficking.

7 D. CITIZENS' OVERSIGHT COMMITTEE. A portion of the Bond shall be used to
8 perform audits of the Bond, as further described in Section 4 and Section 16 below.

9 Section 4. BOND ACCOUNTABILITY MEASURES.

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

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

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

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

23 Resolution No. _____, on file with the Clerk of the Board in File No.
24 _____ \$300,000,000.

25 Such resolution was passed by two-thirds or more of the Board and approved by the

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

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

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

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

17 Section 7. The Bond Special Election is consolidated with the Presidential Primary
18 Election scheduled to be held in the City on Tuesday, March 5, 2024 (“Presidential Primary
19 Election”). The voting precincts, polling places, and officers of election for the Presidential
20 Primary Election are hereby adopted, established, designated, and named, respectively, as
21 the voting precincts, polling places, and officers of election for the Bond Special Election
22 called, and reference is made to the notice of election setting forth the voting precincts, polling
23 places, and officers of election for the Presidential Primary Election by the City’s Director of
24 Elections to be published in the official newspaper of the City on the date required under the
25 laws of the State.

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

6 “SAN FRANCISCO AFFORDABLE HOUSING BONDS. To construct, develop,
7 acquire, and/or rehabilitate housing, including workforce housing and senior housing, that will
8 be affordable to households ranging from extremely low-income to moderate-income
9 households; shall the City and County of San Francisco issue \$300,000,000 in general
10 obligation bonds, subject to independent citizen oversight and regular audits, with a duration
11 of up to 30 years from the time of issuance, an estimated average tax rate of \$0.0057/\$100 of
12 assessed property value, and projected average annual revenues of \$25,000,000?”

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

17 Each voter to vote in favor of the foregoing bond proposition shall mark the ballot in the
18 location corresponding to a “YES” vote for the proposition, and to vote against the proposition
19 shall mark the ballot in the location corresponding to a “NO” vote for the proposition.

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

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

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

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

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

18 Section 13. The Planning Department has determined that the actions contemplated
19 in this ordinance comply with the California Environmental Quality Act (California Public
20 Resources Code Section 21000 et seq.). Said determination is on file with the Clerk of the
21 Board of Supervisors in File No. ____ and is incorporated herein by reference. The Board
22 affirms this determination.

23 Section 14. On _____, the Planning Department issued its General Plan
24 Referral Report finding that the actions contemplated in this ordinance are consistent, on
25 balance, with the City's General Plan and eight priority policies of Planning Code Section

1 101.1. The Board adopts these findings as its own. A copy of said General Plan Referral
2 Report is on file with the Clerk of the Board of Supervisors in File No. _____, and is
3 incorporated herein by reference.

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

8 Section 16. The Bonds are subject to, and incorporate by reference, the applicable
9 provisions of Administrative Code Sections 5.30-5.36 (the "Citizens' General Obligation Bond
10 Oversight Committee"). Consistent with Administrative Code Section 5.31, to the extent
11 permitted by law, 0.1% of the gross proceeds of the Bonds shall be deposited in a fund
12 established by the Controller's Office and appropriated by the Board of Supervisors at the
13 direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of
14 such committee.

15 Section 17. The time requirements specified in Administrative Code Section 2.34 are
16 waived.

17 Section 18. The City hereby declares its official intent to reimburse prior expenditures
18 of the City incurred or expected to be incurred prior to the issuance and sale of any series of
19 the Bonds in connection with the Project. The Board hereby declares the City's intent to
20 reimburse the City with the proceeds of the Bonds for expenditures with respect to the Project
21 (the "Expenditures" and each, an "Expenditure") made on and after that date that is no more
22 than 60 days prior to the passage of this ordinance. The City reasonably expects on the date
23 hereof that it will reimburse the Expenditures with the proceeds of the Bonds.

1 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
2 account under general federal income tax principles (determined in each case as of the date
3 of the Expenditure), (b) a cost of issuance with respect to the Bonds, or (c) a nonrecurring
4 item that is not customarily payable from current revenues. The maximum aggregate principal
5 amount of the Bonds expected to be issued for the Project is \$300,000,000. The City shall
6 make a reimbursement allocation, which is a written allocation by the City that evidences the
7 City’s use of proceeds of the applicable series of Bonds to reimburse an Expenditure, no later
8 than 18 months after the later of the date on which the Expenditure is paid or the related
9 portion of the Project is placed in service or abandoned, but in no event more than three years
10 after the date on which the Expenditure is paid. The City recognizes that exceptions are
11 available for certain “preliminary expenditures,” costs of issuance, certain de minimis
12 amounts, expenditures by “small issuers” (based on the year of issuance and not the year of
13 expenditure) and Expenditures for construction projects of at least five years.

14 Section 19. Landlords may pass through to residential tenants under the Residential
15 Rent Stabilization and Arbitration Ordinance (Administrative Code Chapter 37) 50 percent of
16 any property tax increase that may result from the issuance of Bonds authorized by this
17 ordinance. The City may enact ordinances authorizing tenants to seek waivers from the pass-
18 through based on financial hardship.

19 Section 20. The appropriate officers, employees, representatives, and agents of the
20 City are hereby authorized and directed to do everything necessary or desirable to accomplish
21 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions
22 of this ordinance.

23
24
25

1 Section 21. Documents referenced in this ordinance are on file with the Clerk of the
2 Board of Supervisors in File No. _____, which is hereby declared to be a part of this
3 ordinance as if set forth fully herein.

4

5 APPROVED AS TO FORM:
6 DAVID CHIU,
7 City Attorney

8

9 By: /s/ KENNETH D. ROUX
10 KENNETH D. ROUX
11 Deputy City Attorney
12 n:\financ\as2023\2300394\01704256.docx

13

14

15

16

17

18

19

20

21

22

23

24

25

LEGISLATIVE DIGEST

[General Obligation Bond Election - Affordable Housing - Not to Exceed \$300,000,000]

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, March 5, 2024, for the purpose of submitting to San Francisco voters a proposition to incur bonded indebtedness of not to exceed \$300,000,000 subject to independent citizen oversight and regular audits, to finance the construction, development, acquisition, and/or rehabilitation of rental affordable housing, including workforce housing and senior housing, for households ranging from extremely low-income to moderate-income households; 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; affirming a determination under the California Environmental Quality Act; and finding that the proposed Bond is consistent with the General Plan, and with the eight priority policies of Planning Code, Section 101.1.

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 March 5, 2024 ballot:

“SAN FRANCISCO AFFORDABLE HOUSING BONDS. To construct, develop, acquire, and/or rehabilitate housing, including workforce housing and senior housing, that will be affordable to households ranging from extremely low-income to moderate-income households; shall the City and County of San Francisco issue \$300,000,000 in general obligation bonds, subject to independent citizen oversight and regular audits, with a duration of up to 30 years from the time of issuance, an estimated average tax rate of \$0.0057/\$100 of assessed property value, and projected average annual revenues of \$25,000,000?”

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.

FILE NO. 230971

The ordinance allows landlords to pass through to residential tenants 50% of any property tax increase to tenants under the Residential Rent Stabilization and Arbitration Ordinance, and authorizes the Board of Supervisors' to adopt future ordinances authorizing tenants to seek waivers from the pass-through based on financial hardship.

Background Information

The City and County of San Francisco ("City")'s General Plan 2022 Housing Element ("2022 Housing Element") details the City's goals, objectives, and corresponding policies and programs to meet the housing needs of all San Francisco residents, with a focus on racial and social equity. This includes the objective to substantially expand the amount of affordable housing for extremely low- to moderate-income households (2022 Housing Element, Objectives 4.A and 4.B), as well as the requirement for San Francisco to plan for and support the production of 46,598 affordable housing units over the next eight years as mandated by the Regional Housing Needs Allocation Plan.

While City policies and programs provided temporary support, overwhelming demand far exceeded and continues to exceed the City's available resources. The City's economy is still recovering from the pandemic, and the impacts of the pandemic will have lasting effects, particularly for families and individuals that were disproportionately impacted by the pandemic (2022 Housing Element, Figure 33).

The proposed Bond will provide a portion of the critical funding necessary to construct, develop, acquire, and/or rehabilitate rental affordable housing projects in the City, including senior housing and workforce housing.

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.

n:\financ\as2023\2300394\01704264.docx

1 [General Obligation Bond Election - Affordable Housing - Not to Exceed \$300,000,000]

2

3 **Resolution determining and declaring that the public interest and necessity demand**
4 **the construction, development, acquisition, and/or rehabilitation of rental affordable**
5 **housing projects, and related costs necessary or convenient for the foregoing**
6 **purposes; to be financed through bonded indebtedness in an amount not to exceed**
7 **\$300,000,000 subject to independent citizen oversight and regular audits; authorizing**
8 **landlords to pass-through 50% of the resulting property tax increase to residential**
9 **tenants under Administrative Code, Chapter 37; providing for the levy and collection of**
10 **taxes to pay both principal and interest on such bonds; affirming a determination**
11 **under the California Environmental Quality Act; and finding that the proposed Bond is**
12 **consistent with the General Plan, and with the eight priority policies of Planning Code,**
13 **Section 101.1**

14

15 WHEREAS, The General Plan 2022 Housing Element (“2022 Housing Element”) of the
16 City and County of San Francisco (“City”) details the City’s goals, objectives, and
17 corresponding policies and programs to meet the housing needs of all San Francisco
18 residents, with a focus on racial and social equity; and

19 WHEREAS, This includes the objective to substantially expand the amount of
20 affordable housing for extremely low- to moderate-income households and expand housing
21 opportunities for middle-income households (as defined in Section 3 below) (2022 Housing
22 Element, Objectives 4.A and 4.B), as well as the requirement for San Francisco to plan for
23 and support the production of 46,598 affordable housing units over the next eight years as
24 mandated by the Regional Housing Needs Allocation Plan; and

25

1 WHEREAS, The U.S Department of Housing and Urban Development (HUD) considers
2 housing to be “affordable” when a household spends 30 percent or less of its income on
3 housing costs, including rent and utilities; and

4 WHEREAS, In 2022, the median rent for a 2-bedroom was \$3,800, affordable to a
5 household earning \$137,000; and

6 WHEREAS, Less than 40 percent of San Francisco households earn this income (2022
7 Housing Element, Goal 4); and

8 WHEREAS, The need for affordable housing was severely exacerbated during the
9 COVID-19 pandemic, when the City’s unemployment rate rose to 13 percent in April 2020
10 from 2.2 percent in February 2020; and

11 WHEREAS, As a result, the City invested in policies and programs to support residents
12 at risk of eviction, foreclosure, and displacement due to loss of income related to the
13 pandemic; and

14 WHEREAS, These investments included (i) establishment of the Emergency Rental
15 Assistance Program, (ii) expansion of the Homeowner Emergency Loan Program, and (iii)
16 issuance of a moratorium on evictions due to nonpayment of rent; and

17 WHEREAS, While these policies and programs provided temporary support,
18 overwhelming demand far exceeded and continues to exceed the City’s available resources;
19 and

20 WHEREAS, The City’s economy is still recovering from the pandemic, and the impacts
21 of the pandemic will have lasting effects, particularly for families and individuals that were
22 disproportionately impacted by the pandemic (2022 Housing Element, Figure 33); and

23 WHEREAS, The City’s ability to produce the affordable rental housing it needs has
24 been significantly impacted by the limited availability of state and federal resources; and
25

1 WHEREAS, From 2018 to 2022, for every \$1 of local funding invested by the City to
2 create affordable housing, the City’s affordable housing projects received \$2 in funding from
3 state and federal sources; and

4 WHEREAS, As detailed in the 2024 Affordable Housing Bond Report, the economic
5 environment for affordable housing has changed significantly in recent years, with state
6 affordable housing funding programs becoming more competitive and severely
7 oversubscribed, including the state’s allocation of volume cap for tax-exempt housing revenue
8 bonds; and

9 WHEREAS, The City contributes significant resources to ensure project delivery; and

10 WHEREAS, San Francisco voters have approved measures to create local funds
11 dedicated to the construction, preservation, and rehabilitation of affordable housing, including
12 the 2012 Housing Trust Fund and affordable housing general obligation bonds in 2015 and
13 2019; and

14 WHEREAS, The City’s local funds from the 2015 and 2019 bonds are projected to be
15 exhausted by 2028 (2024 Affordable Housing Bond Report); and

16 WHEREAS, Additional sources of affordable housing funds from the City’s impact fees
17 have been decreasing due to the economic environment, such as the Jobs-Housing Linkage
18 Fee (Planning Code, Sec. 413), the Inclusionary Affordable Housing Program (Planning Code,
19 Sec. 415), various development agreements, and other impact fees; and

20 WHEREAS, Funding from such sources decreased by 95 percent between Fiscal Year
21 2019-2020 and Fiscal Year 2021-2022; and

22 WHEREAS, Moreover, the Office of the Controller’s FY 2023-2024 and 2024-2025
23 Revenue Letter projects only modest tax revenue growth over the coming years, severely
24 limiting the amount of resources the City will have to fund the development of affordable
25 housing; and

1 WHEREAS, The City’s economic future and ongoing recovery will ultimately depend on
2 its ability to produce and preserve enough affordable housing to ensure the City’s
3 economically diverse households can equitably access housing and remain stably housed in
4 San Francisco; and

5 WHEREAS, Failure to meet this need will result in the displacement of more
6 households to areas with more affordable housing; and

7 WHEREAS, This displacement could result in (i) greater disparity between above
8 moderate-income and lower-income households in the City with little change to the City’s
9 median income levels as determined by the U.S. Census Bureau; and (ii) long commutes,
10 road congestion, and environmental harm as people seek affordable housing at greater
11 distances from where they work; and

12 WHEREAS, The proposed Bond will provide a portion of the critical funding necessary
13 to construct, reconstruct, develop, acquire, improve, rehabilitate, repair, and preserve rental
14 affordable housing projects in the City, and to expand homeownership opportunities for San
15 Franciscans; now, therefore, be it

16 RESOLVED, The Board determines and declares that the public interest and necessity
17 demand the construction, development, acquisition, and/or rehabilitation of rental affordable
18 housing projects in the City for households ranging from extremely low-income to moderate-
19 income households, and the payment of related costs necessary or convenient for the
20 foregoing purposes; and, be it

21 FURTHER RESOLVED, Proceeds of the Bonds will be used to fund the costs of capital
22 projects that will (i) construct, develop, acquire, and/or rehabilitate new affordable rental
23 housing serving extremely low-income households, very low-income households, and lower-
24 income households; (ii) acquire, construct, develop, and/or rehabilitate rental housing, so as
25 to preserve it as affordable for lower-income households and moderate-income households;

1 and (iii) acquire, construct, develop, and/or rehabilitate housing for extremely-low income
2 households, very low-income households, and/or lower-income households who need safe
3 and stable housing and are experiencing (a) trauma-informed homelessness, (b) street
4 violence, (c) domestic violence and abuse, (d) sexual abuse and assault, and/or (e) human
5 trafficking; and, be it

6 FURTHER RESOLVED, The estimated cost of \$300,000,000 for the San Francisco
7 Affordable Housing Bond is and will be too great to be paid out of the ordinary annual income
8 and revenue of the City, will require an expenditure greater than the amount allowed by the
9 annual tax levy, and will require the incurrence of bonded indebtedness in an amount not to
10 exceed \$300,000,000 subject to independent citizen oversight and regular audits; and, be it

11 FURTHER RESOLVED, The Planning Department has determined that the actions
12 contemplated in this Resolution comply with the California Environmental Quality Act
13 (California Public Resources Code, Section 21000 et seq.); and, be it

14 FURTHER RESOLVED, Said determination is on file with the Clerk of the Board of
15 Supervisors in File No. _____ and is incorporated herein by reference; and, be it

16 FURTHER RESOLVED, The Board affirms this determination; and, be it

17 FURTHER RESOLVED, On _____, the Planning Department issued its General
18 Plan Referral Report finding that the actions contemplated in this resolution are consistent, on
19 balance, with the City's General Plan, and eight priority policies of Planning Code, Section
20 101.1; and, be it

21 FURTHER RESOLVED, The Board adopts these findings as its own; and, be it

22 FURTHER RESOLVED, A copy of said General Plan Referral Report is on file with the
23 Clerk of the Board of Supervisors in File No. _____, and is incorporated herein by
24 reference; and, be it

25

1 FURTHER RESOLVED, The time limit for approval of this Resolution specified in
2 Administrative Code, Section 2.34 is waived; and, be it

3 FURTHER RESOLVED, Under Administrative Code, Section 2.40, the Ordinance
4 submitting this proposal to the voters shall contain a provision authorizing landlords to pass-
5 through 50% of the resulting property tax increases to residential tenants in accordance with
6 Administrative Code, Chapter 37; and, be it

7 FURTHER RESOLVED, The City hereby declares its official intent to reimburse prior
8 expenditures of the City incurred or expected to be incurred prior to the issuance and sale of
9 any series of the Bonds in connection with the San Francisco Affordable Housing Bond; the
10 Board hereby declares the City's intent to reimburse the City with the proceeds of the Bonds
11 for the expenditures with respect to the San Francisco Affordable Housing Project (the
12 "Expenditures" and each, an "Expenditure") made on and after that date that is no more than
13 60 days prior to the adoption of this Resolution; and, be it

14 FURTHER RESOLVED, The City reasonably expects on the date hereof that it will
15 reimburse the Expenditures with the proceeds of the Bonds; and, be it

16 FURTHER RESOLVED, Each Expenditure was and will be either (i) of a type properly
17 chargeable to a capital account under general federal income tax principles (determined in
18 each case as of the date of the Expenditure), (ii) a cost of issuance with respect to the Bonds,
19 (iii) a nonrecurring item that is not customarily payable from current revenues, or (iv) a grant to
20 a party that is not related to or an agent of the City so long as such grant does not impose any
21 obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the
22 City; the maximum aggregate principal amount of the Bonds expected to be issued for the
23 Project is \$300,000,000; the City shall make a reimbursement allocation, which is a written
24 allocation by the City that evidences the City's use of proceeds of the applicable series of
25 Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on

1 which the Expenditure is paid or the related portion of the Project is placed in service or
2 abandoned, but in no event more than three years after the date on which the Expenditure is
3 paid; the City recognizes that exceptions are available for certain "preliminary expenditures,"
4 costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the
5 year of issuance and not the year of expenditure) and Expenditures for construction projects
6 of at least 5 years; and, be it

7 FURTHER RESOLVED, Documents referenced in this Resolution are on file with the
8 Clerk of the Board of Supervisors in File No. _____, which is hereby declared to be a part of
9 this Resolution as if set forth fully herein.

10

11 APPROVED AS TO FORM:
12 DAVID CHIU
13 City Attorney

13

14

15 By: /s/ KENNETH D. ROUX
16 KENNETH D. ROUX
17 Deputy City Attorney
18 n:\financ\as2023\2300394\01704265.docx

17

18

19

20

21

22

23

24

25