

**REVISED LEGISLATIVE DIGEST**

(4/15/2013, Amended in Committee)

[Subdivision Code - Condominium Conversion Impact Fee]

**Ordinance amending the Subdivision Code, by adding Section 1396.4, to adopt a condominium conversion impact fee applicable to certain buildings that would be permitted to convert during a six year period, and subject to specified requirements, including lifetime leases for non-purchasing tenants; adding Section 1396.5, to suspend the annual condominium conversion lottery until 2024 and resume said lottery under specified circumstances tied to permanently affordable rental housing production; amending Section 1396, to restrict future condominium lotteries to buildings of no more than four units with a specified number of owner occupied units for three years prior to the lottery; and adopting environmental findings.**

Existing Law

The San Francisco Subdivision Code regulates the conversion of apartments and tenancy-in-common buildings to condominium subdivisions and prohibits the conversion of buildings in excess of 6 units. Subdivision Code Section 1396 limits the number of conversions to 200 units annually which are selected in a condominium lottery. In order to participate in the lottery, a specified number of building owners must continuously occupy a unit(s) in the building for at least three years in advance of the lottery. The Subdivision Code requires at least 1 owner occupant in a 2, 3, or 4-unit building and at least 3 owner occupants in a 5 or 6-unit building. Section 1396.3 sets forth the selection process for the annual 200-unit condominium lottery and bases the selection process, in part, on seniority of participation in past lotteries.

Amendments to Current Law

This Ordinance would suspend the condominium conversion lottery until at least 2024. Between the effective date of the legislation and April 15, 2018, referred to as the expedited conversion process, specified 2-6 unit buildings could convert to condominiums once they meet certain identified requirements for ownership and owner-occupation terms and pay a \$20,000 per unit condominium conversion impact fee. The fee would be reduced 20% for every year before 2013 that the building participated in the lottery, and the fee revenue collected would be placed into the Mayor's Office Housing Stabilization Fund. The Ordinance also would require that all non-purchasing tenants at the time of final or parcel map approval of the condominium subdivision receive a lifetime lease with certain specified terms and subject to a binding and recorded agreement with the City concerning the lease and a binding and recorded agreement between the owner(s) and the tenant(s). The legislation would adopt special provisions that apply if there is a contract or option to sell a unit or interest in a building

potentially subject to a lifetime lease. In recognition of the lifetime lease requirements, buildings would receive a refund on the condominium conversion fee tied to the number of units associated with a lifetime lease. The Ordinance would establish time periods and procedures to pay the fee or to defer fee payment and complete steps of the conversion process. The legislation provides for a public notice and comment period and potential public hearings in advance of any tentative approval action of the map by the Department of Public Works.

After suspension of the condominium conversion lottery until 2024, the legislation provides that the lottery would resume either when the maximum suspension period is reached based on a formula related to conversions pursuant to the expedited conversion process or earlier if the City meets specified thresholds for production of new affordable units. When the lottery resumes, the Ordinance would limit the maximum building size for conversion to a 4-unit building. While the owner-occupancy requirement would stay the same as current law (3 years), the legislation also would require that any 3-unit building have at least 2 owner-occupants and any 4-unit building have at least 3 owner-occupants. In addition, the legislation would prohibit buildings from participating in the lottery if there were certain evictions within a 7-year period before the lottery. The Ordinance contains a provision that if any lawsuit is filed against the legislation, the expedited conversion process would be suspended until a final judgment is issued in favor of the City. During this time, applicants could seek a refund of the conversion impact fee and the conversion process would revert to the existing condominium lottery process. The Ordinance also would adopt environmental findings.