

Proposition A

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 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).

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

Section 1. Findings.

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

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

C. 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.

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

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

F. The housing need in the City is also 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.

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

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

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

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

K. The failure to build affordable housing close to job centers such as San Francisco results in long commutes, road congest-

tion, and environmental harm as people seek affordable housing at greater distances from where they work.

L. 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 (as further defined in Section 3 below).

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

"SAN FRANCISCO AFFORDABLE HOUSING BONDS. \$600,000,000 to construct, develop, acquire, and preserve 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; 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 annual revenues of \$50,000,000, all subject to independent citizen oversight and regular audits; and authorizing landlords to pass-through to residential tenants in units subject to Administrative Code Chapter 37 (the "Residential Rent Stabilization and Arbitration Ordinance") 50% of the increase in the real property taxes attributable to the cost of the repayment of such Bonds."

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

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

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

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

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

D. SENIOR HOUSING: \$150,000,000 of Bond proceeds will



be allocated to acquire and construct new senior housing.

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

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

Section 4. **BOND ACCOUNTABILITY MEASURES.**

The Bonds shall include the following administrative rules and principles:

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

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

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

Resolution No. 308-19, on file with the Clerk of the Board in File No. 190501 \$600,000,000.

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

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

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

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

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

Elections to be published in the official newspaper of the City on the date required under the laws of the State.

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

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

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

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

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

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

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

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

available for the payment of such principal.

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

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

Section 14. The Board finds and declares that the proposed Bonds (a) were referred to the Planning Department in accordance with Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the Administrative Code, (b) are in conformity with the priority policies of Section 101.1(b) of the San Francisco Planning Code, and (c) are consistent with the City’s General Plan, and adopts the findings of the Planning Department, as set forth in the General Plan Referral Report dated May 3, 2019, a copy of which is on file with the Clerk of the Board in File No. 190495 and incorporates such findings by this reference.

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

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

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

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

Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, or (c) a nonrecurring item that is not customarily payable from current revenues. The maximum aggregate principal amount of the Bonds expected to be issued for the Project is \$600,000,000. The City shall make a reimbursement allocation, which is a written allocation by the City that evidences the City’s use of proceeds of the applicable series of Bonds to reimburse an Expenditure, no later

than 18 months after the later of the date on which the Expenditure is paid or the related portion of the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain “preliminary expenditures,” costs of issuance, certain de minimis amounts, expenditures by “small issuers” (based on the year of issuance and not the year of expenditure) and Expenditures for construction projects of at least five years.

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

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

Section 20. Documents referenced in this ordinance are on file with the Clerk of the Board of Supervisors in File No. 190495, which is hereby declared to be a part of this ordinance as if set forth fully herein.