



# A

## Affordable Housing Bond

**SAN FRANCISCO AFFORDABLE HOUSING BONDS.** To finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco’s working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households; shall the City and County of San Francisco issue \$310 million in general obligation bonds, subject to independent citizen oversight and regular audits?

YES ←    
NO ←  

### Digest by the Ballot Simplification Committee

**The Way It Is Now:** State law requires that the City’s General Plan describe San Francisco’s housing needs, set goals for providing housing and develop programs to meet those goals. It is City policy to support the construction and rehabilitation of 30,000 new housing units by 2020, with at least 33% of those permanently affordable to low- and moderate-income households, and over 50% within financial reach of middle class households.

The City’s funding for affordable housing comes from property taxes, hotel taxes, developer fees and other local sources. The use of City money triggers the availability of funding from other public and private sources. The City expects that money from these sources will not be enough to meet its future low-, moderate- and middle-income housing goals.

The City’s spending of money from general obligation bonds is monitored by the Citizens’ General Obligation Bond Oversight Committee.

**The Proposal:** Proposition A is an ordinance that would allow the City to borrow up to \$310 million by issuing general obligation bonds. The City would use this money to build, buy, improve, and rehabilitate affordable housing in San Francisco.

The City could use the funds to:

- finance the development, construction, preservation and rehabilitation of affordable rental housing near established transit corridors or within priority development areas;
- acquire, rehabilitate, and preserve existing rental housing to prevent the loss of rental housing and the displacement of long-time City residents;
- repair and reconstruct dilapidated public housing or provide infrastructure improvements that allow for the repair or improvement of public housing sites;
- fund middle-income rental housing units;
- assist middle-income City residents, including teachers, in purchasing their first home in the City; and
- acquire, rehabilitate, preserve, construct and/or develop affordable housing in the Mission Area Plan.

Proposition A would allow an increase in the property tax to pay for the bonds, if needed. Landlords would be permitted to pass through up to 50% of any resulting property tax increase to tenants. However, it is City policy to limit the amount of money it borrows. Therefore, because of the retirement of existing debt and the growth of the property tax base, the City does not expect the property tax rate to increase.

**This measure requires 66⅔% affirmative votes to pass.**

The above statement is an impartial analysis of this measure. Arguments for and against this measure immediately follow. The full text begins on page 156. Some of the words used in the ballot digest are explained starting on page 41.

Proposition A also would require the Citizens' General Obligation Bond Oversight Committee to review the spending of bond funds. One-tenth of one percent (0.1%) of the bond funds would pay for the committee's audit and oversight functions.

Approval of this measure requires two-thirds of votes cast.

**A "YES" Vote Means:** If you vote "yes," you want the City to issue \$310 million in general obligation bonds on projects designed to:

- acquire, build, or renovate affordable housing, including in the Mission Area Plan;
- rehabilitate or reconstruct public housing;
- fund middle-income rental housing; and
- assist middle-income City residents in purchasing their first home in the City.

**A "NO" Vote Means:** If you vote "no," you do not want the City to issue these bonds.

### Controller's Statement on "A"

City Controller Ben Rosenfield has issued the following statement on the fiscal impact of Proposition A:

Should the proposed \$310 million in bonds be authorized and sold under current assumptions, the approximate costs will be as follows:

- In fiscal year 2015–2016, following issuance of the first series of bonds, and the year with the lowest tax rate, the estimated annual costs of debt service would be \$8.3 million and would result in a property tax rate of \$0.0044 per \$100 (\$4.35 per \$100,000) of assessed valuation.
- In fiscal year 2020–2021, following issuance of the last series of bonds, the estimated annual costs of debt service would be \$26.7 million and would result in a property tax rate of \$0.0114 per \$100 (\$11.25 per \$100,000) of assessed valuation.
- The best estimate of the average tax rate for these bonds from fiscal year 2015–2016 through 2038–2039 is \$0.0077 per \$100 (\$8.09 per \$100,000) of assessed valuation.
- Based on these estimates, the highest estimated annual property tax cost for these bonds for the owner of a home with an assessed value of \$500,000 would be approximately \$56.24.

These estimates are based on projections only, which are not binding upon the City. Projections and estimates may vary due to the timing of bond sales, the amount of bonds sold at each sale, and actual assessed valuation over the term of repayment of the bonds. Hence, the actual tax rate and the years in which such rates are applicable may vary from those estimated above. The City's current debt management policy is to issue new general obligation bonds only as old ones are retired, keeping the property tax impact from general obligation bonds approximately the same over time.

### How "A" Got on the Ballot

On July 21, 2015, the Board of Supervisors voted 10 to 0 to place Proposition A on the ballot. The Supervisors voted as follows:

**Yes:** Avalos, Breed, Christensen, Cohen, Farrell, Kim, Mar, Tang, Wiener, Yee.

**No:** None.

**Excused:** Campos.

**This measure requires 66⅔% affirmative votes to pass.**

**The above statement is an impartial analysis of this measure. Arguments for and against this measure immediately follow. The full text begins on page 156. Some of the words used in the ballot digest are explained starting on page 41.**



## Proposition A

**Ordinance calling and providing for a special election to be held in the City and County of San Francisco (City) on Tuesday, November 3, 2015, for the purpose of submitting to San Francisco voters a proposition to incur the following bonded indebtedness (Bonds) of the City: not to exceed \$310,000,000 to finance the construction, 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 the Bonds; 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).**

Note: Additions are *single-underline italics Times New Roman*; deletions are *strikethrough-italics Times New Roman*.

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

### Section 1. Findings.

- A. The City has the highest median rent in the country with a one-bedroom asking rent of \$3,460, according to rental listing site Zumper.
- B. The City continues to be one of the highest-priced ownership markets in the country with a median home sales price of \$1.1 million, a 19.4% increase from the previous year, according to the real estate website Trulia.
- C. The Mayor's Office of Housing and Community Development continues to see a widening affordability gap for low to moderate income households for both rental and homeownership.
- D. Limited state and federal resources and the high cost of housing development puts a greater burden on local government to contribute their own limited resources, and thus means that the City's supply of affordable housing has not kept pace with demand.
- E. Limited local funding for affordable housing can leverage federal, state and private investment at a 3:1 rate.
- F. The affordability gap has the greatest impact on low-income households such as seniors, disabled persons, low-income working families, and veterans.
- G. The housing need in the City is also particularly acute for moderate-income households, for whom there are no federal or state financing programs that the City can leverage with its own subsidies.
- H. After federal sequestration took effect on March 1, 2013, the U.S. Congress slashed the US Department of Housing and Urban Development's contribution to the San Francisco Housing Authority (Housing Authority) from 92% to 82% of what it costs to operate public housing, and its Section 8 housing voucher program from 94% to 72% of operating costs.
- I. The average annual household income for Housing Authority residents and voucher-holders is \$15,858.
- J. The housing affordability gap that has arisen and expanded in the local housing market inhibits the City from ensuring that economic diversity can be maintained.
- K. These high housing costs can inhibit healthy, balanced economic growth regionally.
- L. Individuals and families who are increasingly locked out of the local housing market will be forced to leave the City and take on increasingly long employment commutes.
- M. The Bonds will provide a portion of the 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, the 3rd day of November, 2015, for the purpose of submitting to the electors of the City a proposition to incur bonded indebtedness of the City for the project described in the amount and for the purposes stated:

### "SAN FRANCISCO AFFORDABLE HOUSING BONDS.

\$310,000,000 to construct, develop, acquire, and preserve housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, and disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing, to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households; 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 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.

- A. CITIZENS' OVERSIGHT COMMITTEE. A portion of the Bonds shall be used to perform audits of the Bonds, as further described in Section 15.
- B. CONSTRUCT, DEVELOP AND REHABILITATE AFFORDABLE RENTAL HOUSING. A portion of the Bonds may be allocated to finance the development, construction, preservation and rehabilitation of affordable rental housing near established transit corridors or within priority development areas.
- C. ACQUIRE EXISTING RENTAL HOUSING AS AFFORDABLE HOUSING. A portion of the Bonds may be allocated to acquire, rehabilitate, and preserve existing rental housing in order to prevent the loss of rental housing stock and the displacement of long-time residents of the City.
- D. REPAIR AND RECONSTRUCT DILAPIDATED PUBLIC HOUSING. A portion of the Bonds may be allocated to repair and reconstruct dilapidated public housing developments or provide infrastructure improvements that allow for the repair or improvement of public housing sites.
- E. CREATE A MIDDLE INCOME RENTAL HOUSING PROGRAM. A portion of the Bonds may be allocated to fund middle income rental housing units.
- F. CREATE A MIDDLE INCOME HOME OWNERSHIP PROGRAM. A portion of the Bonds may be allocated to assist City residents acquiring their first home in the City.
- G. RENEW THE TEACHER NEXT DOOR PROGRAM. A portion of the Bonds may be allocated to assist educators in purchasing their first home in the City.
- H. ACQUIRE, PRESERVE, DEVELOP AFFORDABLE HOUSING IN THE MISSION AREA PLAN. A portion of the Bonds may be allocated to acquire, rehabilitate, preserve, construct and/or develop for affordable housing in the Mission Area Plan, as such plan is described below, real property, existing affordable housing, and/or new affordable housing. The Mission Area Plan, a part of the City's General Plan, was adopted by the Board on December 9, 2008 pursuant to Ordinance No. 297-08 and approved by the Mayor on December 19, 2008.

### Section 4. BOND ACCOUNTABILITY MEASURES.

The Bonds shall include the following administrative rules and principles:

- A. OVERSIGHT. The proposed Bond funds shall be subjected

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 of the City (Mayor) and the 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 reviews on the bond program and its implementation before the Capital Planning Committee and the Citizen's 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. 258-15, \$310,000,000.

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 of 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 3, 2015 (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 low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households; shall the City and County of San Francisco issue \$310 million in general obligation bonds, subject to independent citizen oversight and regular audits?”

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. 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 11. 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 12. 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 13. The Board finds and declares that the proposed Bonds (i) 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, (ii) are in conformity with the priority policies of Section 101.1(b) of the San Francisco Planning Code, and (iii) 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 11, 2015, a copy of which is on file with the Clerk of the Board in File No. 150490 and incorporates such findings by this reference.

Section 14. 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, one-tenth of one percent (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 reim-



burse 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, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum aggregate principal amount of the Bonds expected to be issued for the Project is \$310,000,000. 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 5 years.

Section 18. 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.

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