AMENDED IN BOARD 10/21/14 ORDINANCE NO. 225-14

FILE NO. 140874

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[Administrative, Subdivision Codes - Tenant Buyout Agreements]

Ordinance amending the Administrative Code 1) to require landlords to provide tenants with a disclosure of the tenants' rights before the landlord commences buyout negotiations; 2) to require landlords to file a form with the Rent Board indicating the address of the unit that may become the subject of buyout negotiations; 3) to require all buyout agreements to be in writing and to include certain statements about the tenant's rights; 4) to allow tenants to rescind buyout agreements for up to 45 days after the agreements are fully executed; 5) to require landlords to file a copy of buyout agreements with the Rent Board and to pay a fee to the Rent Board; 6) to require the Rent Board to create a publically available, searchable database of buyout agreements; 7) to require the Rent Board to provide an annual report to the Board of Supervisors regarding tenant buyouts; 8) to authorize tenants to bring civil actions for actual damages and civil penalties against landlords who fail to provide the required disclosures about the tenants' rights; and 9) to authorize certain non-profits to bring civil actions for a landlord's failure to file a buyout agreement with the Rent Board; and amending the Subdivision Code to prohibit buildings from entering the condominium conversion lottery if the owners of the building have entered certain tenant buyout agreements.

NOTE:

Unchanged Code text and uncodified text are in plain Arial font.

Additions to Codes are in <u>single-underline italics Times New Roman font</u>.

Deletions to Codes are in <u>strikethrough italics Times New Roman font</u>.

Board amendment additions are in <u>double-underlined Arial font</u>.

Board amendment deletions are in <u>strikethrough Arial font</u>.

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:

Section 1. The Administrative Code is hereby amended by adding Section 37.9E, to read as follows:

SEC. 37.9E. TENANT BUYOUT AGREEMENTS.

(a) Findings and Purpose. San Francisco is in the midst of a housing crisis. As the disparity between rent-controlled and market rate rents continues to grow, landlords have greater incentives to induce tenants in rent-controlled units to move out. Similarly, with the real estate market skyrocketing, many landlords are selling their property with the knowledge that an unoccupied unit can command a significantly higher sale price than an occupied one.

Instead of evicting tenants, some landlords offer cash buyouts to tenants in exchange for the tenants vacating rental units. These are sometimes called buyout agreements. Even buyouts worth tens of thousands of dollars can be recouped by a landlord retaining ownership and re-renting at market rates or selling the unit. Unlike no-fault evictions, these buyouts are unregulated, and can enable landlords to circumvent many of the restrictions that apply when a landlord executes a no-fault eviction. For example, a landlord who executes some types of no-fault evictions must give tenants a certain amount of time to move out, provide funds to tenants to cover relocation costs, and allow tenants to move back into the unit under specified circumstances. Two types of these no fault evictions—the Ellis Act and owner move-in evictions—contain restrictions on how much rent a landlord can charge if the units are re-rented following eviction. Analogous regulations do not exist for tenant buyouts.

Anecdotal evidence indicates that many buyout negotiations are not conducted at arms-length, and landlords sometimes employ high-pressure tactics and intimidation to induce tenants to sign the agreements. Some landlords threaten tenants with eviction if they do not accept the terms of the buyout. The frequency of these buyout offers increased significantly following passage of a San

Francisco law in 1996 which restricted, and in many cases prohibited, condominium conversions

following no fault evictions. By threatening a specific no fault eviction and then convincing a tenant to

vacate rather than receiving the eviction notice, a landlord will avoid restrictions on condominium

conversion as well as restrictions on renovations, mergers, or demolitions.

These tactics sometimes result in tenants entering into buyout agreements without a full understanding of their rights and without consulting a tenants' rights counselor. These buyouts vary widely in amounts and, in some cases, are even below minimum relocation benefits which are required to be paid for all no fault evictions. Disabled, senior, and catastrophically ill tenants can be particularly vulnerable, and can face greater hurdles in securing new housing.

The main purpose of this Section 37.9E is to increase the fairness of buyout negotiations and agreements by requiring landlords to provide tenants with a statement of their rights and allowing tenants to rescind a buyout agreement for up to 45 days after signing the agreement, thus reducing the likelihood of landlords pressuring tenants into signing buyout agreements without allowing the tenants sufficient time to consult with a tenants' rights specialist. Another goal of this ordinance is to help the City collect data about buyout agreements. The City lacks comprehensive information about the number, location, and terms of buyout agreements. This dearth of information precludes the City from understanding the true level of tenant displacement in San Francisco.

- (b) Applicability of Section. Notwithstanding Section 37.3 or any other provision in City law, this Section 37.9E shall apply to all landlords and tenants of rental units as defined in Section 37.2(r).
 - (c) Definitions. For purposes of this Section 37.9E, the following definitions shall apply:

"Buyout Agreement" means an agreement wherein the landlord pays the tenant money or other consideration to vacate the rental unit. An agreement to settle a pending unlawful detainer action shall not be a "Buyout Agreement."

"Buyout Negotiations" means any discussion or bargaining, whether oral or written, between alandlord and tenant regarding the possibility of entering into a Buyout Agreement.

be effective and may be rescinded by the tenant at any time. A Buyout Agreement that does not contain an answer from each tenant to the question listed in subsection (f)(4), as well as the initials of each tenant next to his or answer to the question listed in subsection (f)(4), shall not be effective and may be rescinded by the tenant at any time.

- (g) Rescission of Buyout Agreements. A tenant shall have the right to rescind a Buyout

 Agreement for up to and including 45 days after its execution by all parties. In order to rescind a

 Buyout Agreement, the tenant must, on or before the 45th day following the execution of the Buyout

 Agreement by all parties, hand deliver, email, or place in the mail a statement to the landlord

 indicating that the tenant has rescinded the Buyout Agreement.
- (h) Filing of Buyout Agreements. The landlord shall file a copy of the Buyout Agreement with the Rent Board no sooner than the 46th day after the Buyout Agreement is executed by all parties, and no more than 52 59 days after the agreement is executed by all parties. Buyout agreements rescinded under subsection (g) need not be filed with the Rent Board. At the time of the filing required by this subsection (h), the landlord shall pay a filing fee to be set by the Controller's Office that does not exceed the Rent Board's costs related to the filing of Buyout Agreements and the posting of Buyout Agreements as described in subsection (i). Any fees collected under this subsection (h) shall be retained by the Rent Board.
- (i) Posting of Buyout Agreements. The Rent Board shall create a searchable database with information received from filings under subsection (h). The database shall be accessible to the public at the Rent Board's office and shall include a copy of all filings received under subsection (h). Before posting a copy of any filing received under subsection (h) on its database, the Rent Board shall redact all information regarding the identity of the tenants.
- (j) Annual report. The Rent Board shall provide an annual report to the Board of Supervisors regarding the implementation of this Section 37.9E. The first report shall be completed by January 31, 2016, and subsequent reports shall be completed by January 31 in subsequent years. The report shall

Section 2. The Subdivision Code is hereby amended by revising Section 1396, to read as follows:

SEC. 1396. ANNUAL CONVERSION LIMITATION.

- (a) This Section governing annual limitation shall apply only to *conversation conversion* of residential units. This Section also is subject to the limitations established by Section 1396.5's suspension of the lottery.
- (b) Applications for conversion of residential units, whether vacant or occupied, shall not be accepted by the Department of Public Works, except that a maximum of 200 units as selected yearly by lottery by the Department of Public Works from all eligible applicants, may be approved for conversion per year for the following categories of buildings:
- (1) Buildings consisting of four units in which at least three of the units have been occupied continuously by the applicant owners of record as their *principle principal* place of residence for three years prior to the date of registration for the lottery as selected by the Director;
- (2) Buildings consisting of three units in which at least two of the units have been occupied continuously by the applicant owners of record as their *principal* place of residence for three years prior to the date of registration for the lottery as selected by the Director;
- (3) Buildings consisting of two units in which at least one unit has been occupied continuously by the applicant owner of record as his or her *principle principal* place of residence for three years prior to the date of registration for the lottery as selected by the Director;
- (4) Buildings consisting of five or six units that were subject to the requirements of Section 1396.2(f) on or before April 15, 2013 where (A) no further evictions as set forth in Section 1396.2 have occurred in the building after April 15, 2013, (B) the building and all

applicants first satisfied all the requirements for conversion under Section 1396.2(f) after January 24, 2020 and before resumption of the lottery under *in accordance with the terms of* Section 1396.5; and (C) 50 percent or more of the units have been occupied continuously by owners of record as their *principle principal* place of residence for ten years prior to the date of registration for the lottery as selected by the Director. Applicants for such buildings must apply for the lottery within five years of the resumption of the lottery under Section 1396.5(c) and remain eligible until selected;

- (5) If the Expedited Conversion program under Section 1396.4 has been suspended until 2024 as a result of a successful lawsuit against the City and County of San Francisco challenging Section 1396.4(g) or 1396.5: (A) buildings consisting of five or six units that participated in but were not selected for the 2012 or 2013 condominium conversion lottery in which 50 percent or more of the units have been occupied continuously by the applicant owners of record for no less than six years prior to the date of registration for the lottery as selected by the Director or (B) buildings consisting of five or six units in which: (i) 50 percent or more of the units have been occupied continuously by the applicant owners of record for no less than six years prior to the date of registration for the lottery as selected by the Director and (ii) the eligible applicant owners of record have a fully executed written agreement as of April 15, 2013 in which the owners each have an exclusive right of occupancy to individual units in the building to the exclusion of the owners of the other units. Applicants for buildings identified in this Subsection must first apply for the lottery within five years of the resumption of the lottery under Section 1396.5(c) and remain eligible until selected; or
- (6) Community apartments as defined in Section 1308 of this Code, which, on or before December 31, 1982, met the criteria for community apartments in Section 1308 of this Code and which were approved as a subdivision by the Department of Public Works on or before December 31, 1982, and where 75 percent of the units have been occupied

continuously by the applicant owners of record for three years prior to the date of registration for the lottery as selected by the Director.

- (c) The conversion of a stock cooperative as defined in Section 1308 of this Code to condominiums shall be exempt from the annual limitation imposed on the number of conversions in this Section and from the requirement to be selected by lottery where 75 percent of the units have been occupied for the lottery as selected by the Director.
- (d) No application for conversion of a residential building submitted by a registrant shall be approved by the Department of Public Works to fill the unused portion of the 200-unit annual limitation for the previous year.
- (e) (1) Any application for a condominium conversion submitted after being selected in the lottery must meet the following requirements applicable to Subdivision Code Article 9, Conversions: Sections 1381, 1382, 1383, 1386, 1387, 1388, 1389, 1390, 1391(a) and (b), 1392, 1393, 1394, and 1395.
- (2) Any building subject to Section 1396.2 shall have all applicant(s) satisfy all the requirements for conversion under Section 1396.2(f) in order be eligible to convert pursuant to this Section 1396; provided, however, that any building subject to the prohibition on conversion under Section 1396.2, in particular a property with the eviction(s) set forth in Section 1396.2(b), is ineligible for conversion.
- (3) (A) In addition, the applicant(s) shall certify that to the extent any tenant vacated his or her unit within the seven years prior to the date of registration for the lottery as selected by the Director and before recordation of the final parcel or subdivision map, such tenant did so voluntarily or if an eviction or eviction notice occurred it was not pursuant to Administrative Code Sections 37.9(a)(8)-(14) unless such eviction or eviction notice complied with the requirements of Subsections (B)-(D) below.

- (B) If the evicting owner(s) recovered possession of the unit under Administrative Code Sections 37.9(a)(11) or 37.9(a)(14), then the applicant(s) shall certify that the original tenant reoccupied or was given an opportunity to reoccupy the unit after the temporary eviction.
- (C) If the evicting owner(s) recovered possession of the unit under Administrative Code Section 37.9(a)(10), then the applicant(s) shall certify that the Department of Building Inspection required the unit be demolished or permanently removed from housing use pursuant to a Notice of Violation or Emergency Order or similar notice, order, or act; all the necessary permits for demolition or removal were obtained; that the evicting owner(s) complied in full with Administrative Code Section 37.9(a)(10) and (c); and that an additional unit or replacement unit was not constructed in the building after the demolition or removal of the unit previously occupied by the evicted tenant.
- (D) If the evicting owner(s) recovered possession of a unit under Administrative Code Section 37.9(a)(8), then the applicants shall certify that: (i) only one unit in the building was the subject of such eviction during the seven year period, (ii) any surviving owner or relative named as the intended resident of the unit in the Section 37.9(a)(8) eviction notice also is presently an owner applying for the conversion of the same unit, and (iii) the subject applicant owner has occupied the unit continuously as his or her *principal* residence for three years prior to the date of registration for the lottery as selected by the Director.
- (4) Notwithstanding any provisions in this Code to the contrary, the Department of Public Works shall not sell residential condominium conversion lottery tickets to, shall not accept a residential condominium conversion subdivision application from, and shall deny a tentative or final subdivision or parcel map for residential condominium conversion submitted by the owner(s) of a building if, on or after October 31, 2014, (A) a senior, disabled, or catastrophically ill tenant in the

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building entered into a Buyout Agreement, as defined in Administrative Code Section 37.9E, for any unit in the building, or (B) two or more tenants entered into Buyout Agreements during the period beginning ten years prior to the date of the application and ending on the date of the final or parcel map approval. This Subsection (e)(4) shall apply without regard to whether the current owner(s) was a party to the Buyout Agreement, provided that the Buyout Agreement was reported to the Rent Board as provided in Administrative Code Section 37.9E prior to the current owner(s) purchasing the building. For purposes of this subsection, a "senior" shall be a person who is 60 years or older and has been residing in the unit for ten years or more at the time of Buyout Agreement; a "disabled" tenant shall be a person who is disabled within the meaning of Title 42 United States Code Section 12102 and has been residing in the unit for ten years or more at the time of Buyout Agreement; and a "catastrophically ill" tenant shall be a person who is disabled within the meaning of Title 42 United States Code Section 12102 and who is suffering from a life threatening illness as certified by his or her primary care physician and has been residing in the unit for five years or more at the time of Buyout Agreement.

(f) The Department shall review all available records, including eviction notices and records maintained by the Rent Board for compliance with Subsection (e). If the Department finds that a violation of Subsection (e) occurred prior to recordation of the final map or final parcel map, the Department shall disapprove the application or subject map. If the Department finds that a violation of Subsection (e) occurred after recordation of the final map or parcel map, the Department shall take such actions as are available and within its authority to address the violation.

Section 3. Effective and Operative Dates.

(a) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not

sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) This ordinance shall become operative 90 120 days after enactment.

Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

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

By:

Joshua \$. White Deputy City Attorney

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City and County of San Francisco Tails

City Hall 1 Dr. Carlton B. Goodlett Place San Francisco, CA 94102-4689

Ordinance

File Number: 140874 Date Passed: October 28, 2014

Ordinance amending the Administrative Code to require landlords to provide tenants with a disclosure of the tenants' rights before the landlord commences buyout negotiations; to require landlords to file a form with the Rent Board indicating the address of the unit that may become the subject of buyout negotiations; to require all buyout agreements to be in writing and to include certain statements about the tenant's rights; to allow tenants to rescind buyout agreements for up to 45 days after the agreements are fully executed; to require landlords to file a copy of buyout agreements with the Rent Board; to require the Rent Board to create a publically available searchable database of buyout agreements; to require the Rent Board to provide an annual report to the Board of Supervisors regarding tenant buyouts; to authorize tenants to bring civil actions for actual damages and civil penalties against landlords who fail to provide the required disclosures about the tenants' rights; to authorize certain non-profits to bring civil actions for a landlord's failure to file a buyout agreement with the Rent Board; and amending the Subdivision Code to prohibit buildings from entering the condominium conversion lottery if the owners of the building have entered certain tenant buyout agreements.

October 08, 2014 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

October 08, 2014 Budget and Finance Committee - RECOMMENDED AS AMENDED

October 21, 2014 Board of Supervisors - AMENDED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

October 21, 2014 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 7 - Avalos, Campos, Chiu, Cohen, Kim, Mar and Yee

Noes: 4 - Breed, Farrell, Tang and Wiener

October 28, 2014 Board of Supervisors - FINALLY PASSED

Ayes: 7 - Avalos, Campos, Chiu, Cohen, Kim, Mar and Yee

Noes: 4 - Breed, Farrell, Tang and Wiener

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 10/28/2014 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Unsigned 11/7/2014

Mayor Date Approved

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board