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

STRONGER MUNI FOR ALL ORDINANCE

NOTE: Unchanged Code text and uncodified text are in plain font.
Additions to Codes are in *single-underline italics Times New Roman font.*
Deletions to Codes are in ~~*strikethrough italics Times New Roman font.*~~

SECTION 1. FINDINGS AND PURPOSES.

(a) Public transportation provided by the San Francisco Municipal Transportation Agency ("SFMTA") is a core public service that supports the City's economic vitality, environmental goals, public health, equity, and mobility for residents, workers, students, seniors, and people with disabilities.

(b) The COVID-19 pandemic caused an unprecedented and prolonged decline in transit ridership and fare revenue, creating structural financial challenges that continue even as ridership gradually recovers.

(c) The SFMTA faces an annual budget deficit of over $300 million (the "budget gap") once the remaining pandemic relief funding from the federal, state, and regional governments is fully expended.

(d) The SFMTA has been reducing the deficit through operational and fiscal efficiency improvements.

(e) Nearly 90% of the SFMTA's budget goes directly into running Muni transit service or raising revenue to support it. Without a stable source of new funding, bus and rail lines could be eliminated; late-night service cut; transit service frequency reduced; and affordability programs relied upon by low-income riders, seniors, and people with disabilities canceled.

(f) A locally controlled revenue source is needed to stabilize transit operations, prevent near-term cuts, and invest in service while the economy recovers.

(g) This measure is intended to generate sufficient revenue to address the budget gap and enhance transit service, and its structure is intended to distribute the cost fairly for San Francisco residents and businesses.

(h) Other than the costs of administration, the revenue from the parcel tax imposed by this measure is required to go to the SFMTA for transit operations expenses and thus the revenue will be part of the SFMTA's operating budget. Under Federal and State law, as a recipient of Federal and State funds, the SFMTA is required to complete an annual audit by an independent auditor, consistent with generally accepted auditing standards. These audits would include audits of the revenue and expenditure of this tax.

(i) The purpose of the parcel tax imposed by this measure is to stabilize Muni and close the budget gap while San Francisco's economy continues to recover and while tax revenues, grants, parking fees, and Muni fares recover along with it.

SECTION 2. The Business and Tax Regulations Code is hereby amended by adding Article 18, consisting of Sections 1801 to 1815, to read as follows:

SEC. 1801. SHORT TITLE.

This Article 18 shall be known as the "Stronger Muni For All Ordinance."

SEC. 1802. DEFINITIONS.

For purposes of this Article 18, the following definitions shall apply:

"Assessor" means the Assessor-Recorder of the City and County of San Francisco, or the Assessor-Recorder's designee.

"Building Area" means the following:

(a) For a Single-Family Residential Parcel, the Building Area shall be:

(1) For all Single-Family Residential Parcels other than residential condominiums or Cooperative Apartments, the total non-exempt square footage of all finished living areas, measured from the exterior wall surfaces, but excluding attached garages, openings between floors, porches, decks, balconies, and chimneys.

(2) For residential condominiums and Cooperative Apartments, the total non-exempt interior square footage of the individual unit, excluding any square footage attributable to common, parking, or storage areas.

(b) For a Multifamily Residential Parcel, the Building Area shall be the total non-exempt square footage of all finished living areas, measured from the exterior wall surfaces, including interior common areas of stairways, hallways, and storage rooms, but excluding unfinished basements or other unfinished areas, exterior common areas such as open stairways and hallways, and storage and parking areas.

(c) For a Non-Residential Parcel, the Building Area shall be:

(1) For all Non-Residential Parcels other than non-residential condominiums, the total non-exempt square footage of all finished areas, including rentable mezzanines, measured from the exterior wall surfaces, including interior common areas of stairways, hallways, and storage rooms, but excluding unfinished basements or other unfinished areas, exterior common areas such as open stairways and hallways, and storage and parking areas.

(2) For non-residential condominiums, the total non-exempt interior square footage of the individual unit, excluding any square footage attributable to common, parking, or storage areas.

(d) For a Mixed-Use Parcel, the Building Area shall be the sum of the Building Areas of the Single-Family Residential, Multifamily Residential, and Non-Residential portions of the Parcel, as applicable, calculated as if each such portion was a separate Parcel.

"City" means the City and County of San Francisco.

"Controller" means the Controller of the City and County of San Francisco, or the Controller's designee.

"Cooperative Apartment" means a Dwelling Unit held by a Cooperative Housing Corporation that has a separate Assessor's parcel number.

"Cooperative Housing Corporation" means a real estate development in which legal title to real property is vested in a corporation, and membership in the corporation, by stock ownership, is coupled with the exclusive right to possess a portion of the real property.

"Dwelling Unit" means a house, apartment, mobile home, live/work unit, group of rooms, or single room that is designed as separate living quarters, other than a unit designed for occupancy primarily by travelers, vacationers, or other transient occupants. Separate living quarters are those in which the occupants live and eat separately from any other persons in the building, and which have a kitchen and direct access from the outside of the building or through a common hall. For purposes of this Article 18, a Dwelling Unit shall not include a unit in a nursing home, residential care facility, or other similar facility. No accessory dwelling unit, junior accessory dwelling unit, or housekeeping room shall be considered a separate "Dwelling Unit" for purposes of the Tax, provided that the non-exempt square footage associated with any accessory dwelling unit, junior accessory dwelling unit, or housekeeping room shall be included as Building Area for purposes of the Tax.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Group Housing" means a building or portion thereof that provides lodging, or both meals and lodging, without individual or limited cooking facilities and kitchens, by prearrangement for 30 days or more at a time, and that does not qualify as a Dwelling Unit.

"Mixed-Use Parcel" means a Parcel with at least one non-exempt square foot of Building Area that, if considered as a separate Parcel, would constitute a Single-Family Residential Parcel or Multifamily Residential Parcel, and at least one non-exempt square foot of Building Area that would, if considered as a separate Parcel, not constitute either a Single-Family Residential Parcel or Multifamily Residential Parcel.

"Multifamily Residential Parcel" means a Parcel with more than one Dwelling Unit or with Group Housing, where the entire Parcel is designed to be used for living purposes, but not primarily for travelers, vacationers, or other transient occupants. A Multifamily Residential Parcel shall not include a nursing home, residential care facility, or other similar facility.

"Non-Residential Parcel" means a Parcel that is not a Single-Family Residential Parcel, a Multifamily Residential Parcel, Mixed-Use Parcel, or Unimproved Parcel.

"Parcel" has the meaning set forth in Section 1803.

"SFMTA" means the San Francisco Municipal Transportation Agency or its successor agency, department, or office.

"Single-Family Residential Parcel" means a Parcel with only one Dwelling Unit, where the entire Parcel is designed for living purposes, but not primarily for travelers, vacationers, or other transient occupants.

"Single Room Occupancy (SRO) Unit" means a Dwelling Unit or Group Housing room consisting of no more than one occupied room with a maximum gross floor area of 350 square

feet and meeting the Housing Code's minimum floor area standards. The unit may have a bathroom in addition to the occupied room. As a Dwelling Unit, it would have a cooking facility and bathroom. As a Group Housing room, it would share a kitchen with one or more other SRO unit(s) in the same building and may also share a bathroom.

"Unimproved Parcel" means a Parcel with no buildings.

"Tax" means the Stronger Muni For All Parcel Tax imposed by this Article 18.

"Tax Collector" means the Tax Collector of the City and County of San Francisco, or the Tax Collector's designee.

SEC. 1803. PARCEL.

(a) "Parcel" means a unit of real estate in the City, except a possessory interest, with an Assessor's parcel number as shown on the most current official assessment roll of the Assessor on July 1 of the Fiscal Year for which the Tax is imposed. However, all of the following conditions shall apply:

(1) A Parcel created by a subdivision map approved in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the Government Code) shall be deemed to be a single assessment unit and shall not be deemed, on the basis of multiple Assessor's parcel numbers assigned by the Assessor, to constitute multiple assessment units.

(2) A Parcel that has not been subdivided in accordance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the California Government Code) may be deemed to constitute a separate assessment unit only to the extent that the Parcel has been previously described and conveyed in one or more deeds separating it from all adjoining property.

(b) If the Parcel identified pursuant to subsection (a)(1) or (a)(2) is not consistent with the property's identification by Assessor's parcel number, it shall be the responsibility of the Parcel owner to provide the SFMTA with written notice of the correct Assessor's parcel number of taxable Parcels pursuant to this Section 1803 within 90 days after the date of the initial tax bill containing the Tax.

(c) Notwithstanding subsections (a) and (b), each Assessor's parcel number in a Cooperative Housing Corporation property shall be deemed to constitute a separate Single-Family Residential Parcel for purposes of the Tax.

SEC. 1804. IMPOSITION; EFFECTIVE DATES.

(a) Unless otherwise provided in this Article 18, on July 1 of each Fiscal Year there is hereby imposed an annual Tax as provided in this Article 18 on each Parcel in the City for the purposes described in Section 1810.

(b) Commencing with Fiscal Year 2028-2029, all dollar amounts in Sections 1805 and 1806 of this Article 18 and Section 37.3(a)(12) of Chapter 37 of the Administrative Code shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban

Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2027, with all dollar amounts per square foot rounded down to the nearest tenth of a cent and all other dollar amounts rounded down to the nearest dollar.

(c) The Tax shall take effect on July 1, 2027 for Fiscal Year 2027-2028, and shall continue in effect for each Fiscal Year thereafter until June 30, 2042, after which date it shall expire by operation of law.

SEC. 1805. CALCULATION OF THE TAX.

*(a) **Single-Family Residential Parcels.** For each Single-Family Residential Parcel, the Tax shall be calculated as follows:*

(1) If the Building Area is 3,000 square feet or less, the Tax shall be $129.

(2) If the Building Area is between 3,001 square feet and 5,000 square feet, the Tax shall be the sum of (A) $129; and (B) $0.42 multiplied by the Building Area over 3,000 square feet.

(3) If the Building Area is 5,001 square feet or more, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (a)(2); and (B) $1.99 multiplied by the Building Area over 5,000 square feet.

*(b) **Multifamily Residential Parcels.** For each Multifamily Residential Parcel, the Tax shall be calculated as follows:*

(1) If the Building Area 5,000 square feet or less, the Tax shall be $249.

(2) If the Building Area is 5,001 square feet or more, the Tax shall be the sum of (A) $249; and (B) $0.195 multiplied by the Building Area over 5,000 square feet, up to a maximum Tax of $50,000.

*(c) **Non-Residential Parcels.** For each Non-Residential Parcel, the Tax shall be calculated as follows:*

(1) If the Building Area 5,000 square feet or less, the Tax shall be $799.

(2) If the Building Area is between 5,001 square feet and 50,000 square feet, the Tax shall be the sum of (A) $799; and (B) $0.76 multiplied by the Building Area over 5,000 square feet.

(3) If the Building Area is between 50,001 square feet and 250,000 square feet, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (c)(2); and (B) $0.84 multiplied by the Building Area over 50,000 square feet.

(4) If the Building Area is 250,001 square feet or more, the Tax shall be the sum of (A) the maximum amount that could be due under subsection (c)(3); and (B) $0.99 multiplied by the Building Area over 250,000 square feet, up to a maximum Tax of $400,000.

*(d) **Mixed-Use Parcels.** For each Mixed-Use Parcel, the Tax shall be calculated as follows:*

(1) If the total Building Area 5,000 square feet or less, the Tax shall be $799.

(2) If the total Building Area is 5,001 square feet or more, the Tax shall be the sum of the following, up to a maximum Tax of $400,000:

(A) The Tax computed as if the Single-Family Residential Building Area or Multifamily Residential Building Area portion of the Parcel was considered a separate Parcel, reduced by $129 if such separate Parcel would be a Single-Family Residential Parcel or reduced by $249 if such separate Parcel would be a Multifamily Residential Parcel; and

(B) The Tax computed as if the Non-Residential Building Area portion of the Parcel was considered a separate Parcel.

*(e) **Unimproved Parcels.** For each Unimproved Parcel, the Tax shall be calculated as follows:*

(1) If the square footage of the land area of the Unimproved Parcel is 2,000 square feet or less, the Tax shall be $0.

(2) If the square footage of the land area of the Unimproved Parcel is 2,001 square feet or more, the Tax shall be $392.

SEC. 1806. EXEMPTIONS AND DEDUCTIONS.

(a) Parcels on which no ad valorem property tax is levied for the Fiscal Year shall be exempt from the Tax.

(b) The Building Area located in portions of Parcels on which no ad valorem property tax is levied for the Fiscal Year shall be exempt from the Tax and shall not be included in the determination of a Parcel's Building Area.

(c) Any Parcel in which an individual who is 65 years of age or older before July 1 of the Fiscal Year owns a beneficial interest, where such individual occupies a Dwelling Unit in the Parcel as the individual's principal residence, shall be entitled to the following:

(1) If the Parcel is a Single-Family Residential Parcel, the Parcel shall be exempt from the Tax.

(2) If the Parcel is a Multifamily Residential Parcel, the Tax shall be reduced by $249 for each Dwelling Unit in the Parcel that is not otherwise exempt from the Tax if an individual who is 65 years of age or older before July 1 of the Fiscal Year who owns a beneficial interest in the Parcel occupies that Dwelling Unit as the individual's principal residence. The reduction under this Section 1806(c)(2) shall not reduce the Tax below $0 and no portion of the reduction shall be refundable.

(3) If the Parcel is a Mixed-Use Parcel:

(A) If the total Building Area is not over 5,000 square feet, the Tax shall be as calculated under Section 1805(d)(1) with no reduction.

(B) If the total Building Area is over 5,000 square feet, the portion of the Tax calculated under Section 1805(d)(2)(B) shall be as calculated under Section 1805(d)(2)(B) with no reduction, and the portion of the Tax calculated under Section 1805(d)(2)(A) shall be:

(i) If the portion of the Parcel subject to Section 1805(d)(2)(A) would be treated as a Single-Family Residential Parcel if considered a separate Parcel: $0; or

(ii) If the portion of the Parcel subject to Section 1805(d)(2)(A) would be treated as a Multifamily Residential Parcel if considered a separate Parcel: Reduced by $249 for each Dwelling Unit in the Parcel that is not otherwise exempt from the Tax if an individual who is 65 years of age or older before July 1 of the Fiscal Year who owns a beneficial interest in the Parcel occupies that Dwelling Unit as the individual's principal residence. The reduction under this Section 1806(c)(3)(B)(ii) shall not reduce the portion of the Tax calculated under Section 1805(d)(2)(A) below $0, shall not reduce the portion of the Tax calculated under Section 1805(d)(2)(B), and no portion of the reduction shall be refundable.

(d) The Building Area of any SRO Unit, including the Building Area of any kitchen, bathroom, or other facilities shared by the SRO Unit and other SRO Units, shall be exempt from the Tax and shall not be included in the determination of a Parcel's Building Area.

(e) To claim an exemption or deduction from the Tax under subsections (c) or (d), the owner must submit an application to the SFMTA by the deadline set by the SFMTA. The application shall be accompanied by such evidence as the SFMTA deems necessary to determine eligibility for the exemption or deduction. The SFMTA shall prepare forms for this purpose. Exemptions or deductions granted under subsections (c) or (d) shall be automatically renewed in subsequent Fiscal Years absent a change in a material fact. The owner of a Parcel receiving an exemption or deduction under subsections (c) or (d) must notify the SFMTA if the Parcel no longer qualifies for the exemption or deduction.

SEC. 1807. COLLECTION AND ADMINISTRATION.

(a) The Tax shall be collected by the City in two approximately equal installments in the same manner and on the same dates as established by law for the collection of ad valorem property taxes, except as otherwise provided in this Article 18. The collection of the Tax shall be subject to the regulations and procedures governing the collection of ad valorem property taxes by the City, including, without limitation, the imposition of penalties, fees, and interest on the failure to remit or the delinquent remittance of the Tax, and refunds of Taxes, penalties, fees, and interest, except that a claim for refund of Taxes, penalties, fees, or interest must be filed in writing with the Controller within one year of payment of the Tax pursuant to any procedures established by the City.

(b) The SFMTA shall administer the Tax, except that the Tax Collector shall oversee the collection and receipt of the proceeds of the Tax. The Assessor-Recorder's Office and Office of the Treasurer and Tax Collector shall provide technical assistance to the SFMTA, upon the SFMTA's request, to administer the Tax.

SEC. 1808. REGULATIONS.

The SFMTA is authorized to promulgate rules and regulations to implement this Article 18.

SEC. 1809. DEPOSIT OF PROCEEDS.

All monies collected under this Article 18 shall be deposited to the credit of the Stronger Muni Fund, established in Administrative Code Section 10.100-338, which shall be a category four fund under Administrative Code Section 10.100-1. The Fund shall be maintained separate and apart from all other City funds and shall be subject to appropriation. Any balance remaining in the Fund at the close of any Fiscal Year shall be deemed to have been provided for specified purposes within the meaning of Charter Section 9.113(a) and shall be carried forward and accumulated in the Fund for the purposes described in Section 1810.

SEC. 1810. EXPENDITURE OF PROCEEDS.

(a) Subject to the budgetary and fiscal provisions of the Charter, monies in the Stronger Muni Fund shall be appropriated on an annual or supplemental basis and used exclusively for the following purposes:

(1) To the SFMTA, Tax Collector, and other City Departments, for implementation and administration of the Tax and administration of the Stronger Muni Fund.

(2) Refunds of any overpayments of the Tax, including any related penalties, interest, and fees.

(3) All remaining amounts to the SFMTA for transit operations expenses.

(b) Notwithstanding subsection (a), no monies in the Stronger Muni Fund shall be used for the efficiency review in Section 1811 of this Article 18.

(c) Commencing with a report filed no later than February 15, 2029, covering the Fiscal Year ending on June 30, 2028, the Controller shall file annually with the Board of Supervisors, by February 15 of each year, a report containing the amount of monies collected in and expended from the Stronger Muni Fund during the prior Fiscal Year, the status of any project required or authorized to be funded by this Section 1810, and such other information as the Controller, in the Controller's sole discretion, shall deem relevant to the operation of this Article 18.

SEC. 1811. EFFICIENCY REVIEW.

Subject to the fiscal provisions of the Charter, the SFMTA must conduct or participate in a financial efficiency review conducted by a third-party consultant that identifies: (a) cost-saving measures implemented since Fiscal Year 2022-2023, (b) early action strategies that would assist SFMTA in delivering increased or improved service and enhanced customer experiences with existing resources, (c) cost-saving measures to reduce one-time and ongoing fixed and variable costs, and (d) a comprehensive assessment of development financing strategies to maximize the value of SFMTA's real property assets. The study must consider administrative, operating, and *capital costs, must be completed by April 1, 2028, and must be submitted and presented to the SFMTA Board of Directors.*

SEC. 1812. OVERSIGHT.

By the first date that funds are appropriated from the Stronger Muni Fund, the SFMTA Board of Directors shall designate a citizens' group to review the revenues and expenditures of the Tax at a minimum of every two years, consistent with the budget process in Charter Section 8A.106.

SEC. 1813. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal this Article 18 by ordinance by a majority vote and without a vote of the people except as limited by Articles XIII A and XIII C of the California Constitution.

SEC. 1814. SEVERABILITY.

(a) Except as provided in subsection (b), if any section, subsection, sentence, clause, phrase, or word of this Article 18, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of this Article. The People of the City and County of San Francisco hereby declare that, except as provided in subsection (b), they would have adopted this Article 18 and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this Article or application thereof would be subsequently declared invalid or unconstitutional.

(b) If the imposition of the Stronger Muni For All Parcel Tax is held in its entirety to be facially invalid or unconstitutional in a final judicial decision, the remainder of this Article 18 shall be void and of no force and effect, and the City Attorney shall cause it to be removed from the Business and Tax Regulations Code.

SEC. 1815. SAVINGS CLAUSE.

No section, clause, part, or provision of this Article 18 shall be construed as requiring the payment of any Tax that would be in violation of the Constitution or laws of the United States or of the Constitution or laws of the State of California.

SECTION 3. Chapter 37 of the Administrative Code is hereby amended by revising Sections 37.3 and 37.8, to read as follows:

SEC. 37.3. RENT LIMITATIONS.

(a) **Rent Increase Limitations for Tenants in Occupancy.** Landlords may impose rent increases upon tenants in occupancy only as provided below and as provided by subsections 37.3(d) and 37.3(g):

(1) **Annual Rent Increase.** On March 1 of each year, the Board shall publish the increase in the CPI for the preceding 12 months, as made available by the U.S. Department of Labor. A landlord who has reported the required information about their rental unit to the Rent Board as set forth in Section 37.15 shall have a license to impose annually a rent increase which does not exceed a tenant's base rent by more than 60% of said published increase. In no event, however, shall the allowable annual increase be greater than 7%.

(2) **Banking.** A landlord who refrains from imposing an annual rent increase or any portion thereof may accumulate said increase and, subject to Section 37.15, impose that amount on the tenant's subsequent rent increase anniversary dates. A landlord who, between April 1, 1982, and February 29, 1984, has banked an annual 7% rent increase (or rent increases) or any portion thereof may impose the accumulated increase on the tenant's subsequent rent increase anniversary dates.

(3) **Capital Improvements, Rehabilitation, and Energy Conservation Improvements, and Renewable Energy Improvements.** A landlord may impose rent increases based upon the cost of capital improvements, rehabilitation, energy conservation improvements, or renewable energy improvements, provided that such costs are certified pursuant to Sections 37.7 and 37.8B below; provided further that where a landlord has performed seismic strengthening in accordance with Existing Building Code Chapters 5B and 5C, no increase for capital improvements (including but not limited to seismic strengthening) shall exceed, in any 12 month period, 10 percent of the tenant's base rent, subject to rules adopted by the Board to prevent landlord hardship and to permit landlords to continue to maintain their buildings in a decent, safe and sanitary condition. A landlord may accumulate any certified increase which exceeds this amount and impose the increase in subsequent years, subject to the 10 percent limitation. Nothing in this subsection shall be construed to supersede any Board rules or regulations with respect to limitations on increases based upon capital improvements whether performed separately or in conjunction with seismic strengthening improvements pursuant to Existing Building Code Chapters 5B and 5C.

(4) **Utilities.** A landlord may impose increases based upon the cost of utilities as provided in Section 37.2(q) above.

(5) **Water: Charges Related to Excess Water Use, and 50% Passthrough of Water Bill Charges Attributable to Water Rate Increases Resulting From Issuance of Water System Improvement Revenue Bonds Authorized at the November 2002 Election.**

(A) **Charges Related to Excess Water Use.** A landlord may impose increases not to exceed 50 percent of the excess use charges (penalties) levied by the San Francisco Water Department on a building for use of water in excess of Water Department allocations under the following conditions:

(i) The landlord provides tenants with written certification that the following have been installed in all units: (1) permanently installed retrofit devices designed to reduce the amount of water used per flush or low-flow toilets (1.6 gallons per flush); (2) low-flow showerheads which allow a flow of no more than 2.5 gallons per minute; and (3) faucet aerators (where installation on current faucets is physically feasible); and

(ii) The landlord provides the tenants with written certification that no known plumbing leaks currently exist in the building and that any leaks reported by tenants in the future will be promptly repaired; and

(iii) The landlord provides the tenants with a copy of the water bill for the period in which the penalty was charged. Only penalties billed for a service period which begins after the effective date of the ordinance [April 20, 1991] may be passed through to tenants. Where penalties result from an allocation which does not reflect documented changes in occupancy which occurred after March 1, 1991, a landlord must, if requested in writing by a tenant, make a good-faith effort to appeal the allotment. Increases based upon penalties shall be prorated on a per-room basis provided that the tenancy existed during the time the penalty charges accrued. Such charges shall not become part of a tenant's base rent. Where a penalty in any given billing period reflects a 25 percent or more increase in consumption over the prior billing period, and where that increase does not appear to result from increased occupancy or any other known use, a landlord may not impose any increase based upon such penalty unless inspection by a licensed plumber or Water Department inspector fails to reveal a plumbing or other leak. If the inspection does reveal a leak, no increase based upon penalties may be imposed at any time for the period of the unrepaired leak.

(B) **Fifty Percent (50%) Passthrough of Water Bill Charges Attributable to Water Increases Resulting From Issuance of Water System Improvement Revenue Bonds Authorized at the November 2002 Election.** A landlord may pass through fifty percent (50%) of the water bill charges attributable to water rate increases resulting from issuance of Water System Improvement Revenue Bonds authorized at the November 2002 election (Proposition A), to any unit that is in compliance with any applicable laws requiring water conservation devices. The landlord is not required to file a petition with the Board for approval of such a cost passthrough. Such cost passthroughs are subject to the following:

(i) Affected tenants shall be given notice of any such passthrough as provided by applicable notice of rent increase provisions of this Chapter 37, including but not limited to Section 37.3(b)(3).

(ii) A tenant may file a hardship application with the Board, and be granted relief from all or part of such a cost passthrough.

(iii) If a tenant's hardship application is granted, the tenant's landlord may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction, based on that tenant's hardship status.

(iv) A landlord shall not impose a passthrough pursuant to Section 37.3(a)(5)(B) if the landlord has filed for or received Board approval for a rent increase under Section 37.8(e)(4) for increased operating and maintenance expenses in which the same increase in water bill charges attributable to water rate increases resulting from issuance of any water revenue bonds authorized at the November 5, 2002 election was included in the comparison year cost totals.

(v) Where a tenant alleges that a landlord has imposed a water revenue bond passthrough that is not in compliance with Section 37.3(a)(5)(B), the tenant may petition for a hearing under the procedures provided by Section 37.8. In such a hearing the landlord shall have the burden of proving the accuracy of the calculation that is the basis for the increase. Any tenant petition challenging such a passthrough must be filed within one year of the effective date of the passthrough.

(vi) A tenant who has received a notice of passthrough or a passthrough under this Section 37.3(a)(5)(B) shall be entitled to receive a copy of the applicable water bill from the landlord upon request.

(vii) The amount of permissible passthrough per unit under this Section 37.3(a)(5)(B) shall be determined as follows:

(1) The San Francisco Public Utilities Commission will determine the charge per unit of water, if any, that is attributable to water rate increases resulting from issuance of water system improvement revenue bonds authorized at the November 5, 2002 election.

(2) The charge identified in Section 37.3(a)(5)(B)(vii)(1) shall be multiplied by the total units of water used by each customer, for each water bill. The result is the total dollar amount of the water bill that is attributable to water rate increases resulting from issuance of water system improvement revenue bonds authorized at the November 5, 2002 election. That charge shall be a separate line item on each customer's water bill.

(3) The dollar amount calculated under Section 37.3(a)(5)(B)(vii)(2) shall be divided by two (since a 50% passthrough is permitted), and then divided by the total number of units covered by the water bill, including commercial units. The resulting dollar figure shall be divided by the number of months covered by the water bill cycle (most are two-month bill cycles), to determine the amount of that water bill that may be passed through to each residential unit for each month covered by that bill.

(4) These passthroughs may be imposed on a monthly basis. These passthroughs shall not become part of a tenant's base rent. The amount of each passthrough may vary from month to month, depending on the amount calculated under Sections 37.3(a)(5)(B)(vii)(1) through (3).

(viii) The Board may amend its rules and regulations as necessary to implement this Section 37.3(a)(5)(B).

(6) **Property Tax.**

(A) Effective July 1, 2024, a landlord may impose increases based upon a 100% passthrough of the change in the landlord's property tax resulting from the repayment of general obligation bonds of the City and County of San Francisco approved by the voters between November 1, 1996, and November 30, 1998; a 50% passthrough of the change in the landlord's property tax resulting from the repayment of general obligation bonds of the City and County of San Francisco approved by the voters after November 14, 2002; and a 50% passthrough of the change in the landlord's property tax resulting from the repayment of San Francisco Unified School District or San Francisco Community College District general obligation bonds approved by the voters after November 1, 2006, as provided in Section 37.2(q). General obligation bonds that meet the criteria set forth in the previous sentence are referred to herein as "Eligible Bonds;" provided, however, that a general obligation bond approved after December 20, 2000 may qualify as an Eligible Bond only if the passthrough was disclosed and approved by the voters. The City and County of San Francisco, San Francisco Unified School District, and San Francisco Community College District are referred to collectively as "the Issuing Entities."

To pass through the change in property tax resulting from the repayment of Eligible Bonds, the landlord shall calculate said change relative to the amount that the property tax rate increased due to the repayment of Eligible Bonds since each tenancy commenced, or 2005, whichever is later ("the Base Year"), as set forth in subsection (a)(6)(B).

(B) The Controller will first determine the percentage of the property tax rate, if any, attributable to general obligation bonds of any of the Issuing Entities ("the General Obligation Bond Factor") for each tax year. The passthrough rate for an individual tenant (the "Tenant Passthrough Rate") shall be based on the amount that the General Obligation Bond Factor for the current year has increased since the tenant's Base Year; and the degree to which said increase, if any, is attributable to Eligible Bonds, as measured by the ratio of debt service for the Eligible Bonds compared to the total debt service attributable to general obligation bonds of the Issuing Entities. The resulting figure shall then be discounted to reflect the specific percentage passthroughs for each of the Eligible Bonds as specified in subsection (A). The Controller shall prepare and annually update a form to help landlords and tenants calculate the Tenant Passthrough Rates. The Controller's authority to interpret and administer this calculation shall be liberally construed to further the purposes of this subsection (a)(6).

(C) To calculate the amount of increased property tax that the landlord can pass through to a tenant in any given year, the landlord shall divide the total amount of the net taxable value as of November 1 of the applicable tax year by the total number of all units in the property, including commercial units; and shall multiply the resulting figure by the applicable Tenant Passthrough Rate. The result is the dollar amount of increased property taxes for that tax year for a particular property attributable to the repayment of Eligible Bonds that the landlord may pass through to the tenant.

(D) The dollar amount calculated under subsection (a)(6)(C) shall then be divided by the total number of months that the passthrough may apply pursuant to subsection (a)(6)(E)(i), to determine the monthly per unit costs for that tax year of the repayment of general obligation bonds.

(E) Landlords may pass through to each unit in a particular property the dollar amount calculated under subsections (a)(6)(A)–(D), as provided in this subsection (a)(6)(E).

(i) All passthroughs shall apply for the same number of months covered by the property tax bills used in the passthrough calculation, and the calculation may not be based on tax bills issued more than three years prior to the year in which the passthrough was imposed.

(ii) The landlord shall give affected tenants notice of the passthrough as provided by applicable notice of rent increase provisions of this Chapter 37, including but not limited to Section 37.3(b)(3). The passthroughs may be imposed at any time in the calendar year, provided that the landlord serves notice of such passthrough to be effective on the anniversary date of each tenant's occupancy of the property. The passthroughs shall not become a part of a tenant's base rent. The amount of each passthrough imposed pursuant to this subsection (a)(6) may vary from year-to-year, depending on the amount calculated by the Controller. A landlord may impose the passthroughs described in this subsection (a)(6) for a particular tax year only with respect to those tenants who were residents of a particular property on November 1 of the applicable tax year. A landlord shall not impose a passthrough pursuant to this subsection (a)(6) if the landlord has filed for or received Board approval for a rent increase under Section 37.8(e)(4) for increased operating and maintenance expenses in which the same increase in property taxes due to the repayment of general obligation bonds was included in the comparison year cost totals.

(F) A tenant who has received a passthrough under this subsection (a)(6) may file a financial hardship application with the Board, and the Board may grant the tenant complete or partial relief from the passthrough. The standards and procedures for the financial hardship application shall be as set forth in Sections 37.7(h)-(i).

(G) The Board will have available a form which explains how to calculate the passthrough. Landlords must provide to tenants, on or before the date that notice is served on the tenant of a passthrough permitted under this subsection (a)(6), a copy of the completed form. Landlords shall provide their tenants the completed forms in addition to the Notice of Rent Increase required under Section 37.3(b). Where a tenant alleges that a landlord has imposed a charge which exceeds the limitations set forth in this subsection (a)(6), the tenant may petition for a hearing under the procedures provided by Section 37.8. In such a hearing, the landlord shall have the burden of proving the accuracy of the calculation that is the basis for the increase. Any tenant petitions challenging such a passthrough must be filed within one year of the effective date of the passthrough.

(H) The Board and the Controller may amend their rules and regulations as necessary to implement this subsection (a)(6).

(7) **RAP Loans.** A landlord may impose rent increases attributable to the City Administrator's amortization of the RAP loan in an area designated on or after July 1, 1977, pursuant to Chapter 32 of the San Francisco Administrative Code.

(8) **Additional Increases.** A landlord who seeks to impose any rent increase which exceeds those permitted above shall petition for a rental arbitration hearing pursuant to Section 37.8 of this Chapter.

(9) A landlord may impose a rent increase to recover costs incurred for the remediation of lead hazards, as defined in San Francisco Health Code Article 11 or 26. Such increases may be based on changes in operating and maintenance expenses or for capital improvement expenditures as long as the costs which are the basis of the rent increase are a substantial portion of the work which abates or remediates a lead hazard, as defined in San Francisco Health

Code Article 11 or 26, and provided further that such costs are approved for operating and maintenance expense increases pursuant to Section 37.8(e)(4)(A) and certified as capital improvements pursuant to Section 37.7 below.

When rent increases are authorized by this Subsection 37.3(a)(9), the total rent increase for both operating and maintenance expenses and capital improvements shall not exceed 10 percent in any 12 month period. If allowable rent increases due to the costs of lead remediation and abatement work exceed 10 percent in any 12 month period, an Administrative Law Judge shall apply a portion of such excess to approved operating and maintenance expenses for lead remediation work, and the balance, if any, to certified capital improvements, provided, however, that such increase shall not exceed 10 percent. A landlord may accumulate any approved or certified increase which exceeds this amount, subject to the 10 percent limit.

(10) With respect to units occupied by recipients of tenant-based rental assistance:

(A) If the tenant's share of the base rent is not calculated as a fixed percentage of the tenant's income, such as in the Housing Choice Voucher Program and the Over-FMR Tenancy Program, or if the tenant is receiving assistance under the HOPWA rental subsidy program, then:

(i) If the base rent is equal to or greater than the payment standard, the rent increase limitations in Sections 37.3(a)(1) and (2) shall apply to the entire base rent, and the arbitration procedures for those increases set forth in Section 37.8 and 37.8A shall apply.

(ii) If the base rent is less than the payment standard, the rent increase limitations of this Chapter shall not apply; provided, however, that any rent increase which would result in the base rent being equal to or greater than the payment standard shall not result in a new base rent that exceeds the payment standard plus the increase allowable under Section 37.3(a)(1).

(B) If the tenant's share of the base rent is calculated as a fixed percentage of the tenant's income, such as in the Section 8 Certificate Program, the rent increase limitations in Section 37.3(a)(1) and (2) shall not apply. In such circumstances, adjustments in rent shall be made solely according to the requirements of the tenant-based rental assistance program.

(11) **Additional Occupants.**

(A) Except as provided in Section 37.3(a)(11)(B), a landlord may not impose increases solely because a tenant has added an additional occupant to an existing tenancy, including, but not limited to, a newborn child or family member as defined in Section 401 of the Housing Code. The prohibition on increases mandated by this Subsection (A) shall apply notwithstanding a rental agreement or lease that specifically permits a rent increase for additional occupants.

(B) A landlord may petition the Board for a rent increase pursuant to Section 37.3(a)(8) for costs associated with the addition of occupants authorized under Section 37.9(a)(2)(C).

(C) Rent increases otherwise permitted by the Costa-Hawkins Rental Housing Act, California Civil Code Section 1950 *et seq.* (as it may be amended from time to time) are not prohibited or limited by this Section 37.3(a)(11).

*(12) **Parcel Taxes.** A landlord may impose increases based on a passthrough of up to 50% of the parcel tax imposed under Article 18 of the Business and Tax Regulations Code, up to a maximum passthrough of $65 per unit per year, adjusted for inflation pursuant to Section 1804(b) of Article 18 of the Business and Tax Regulations Code. However, a landlord may not impose this passthrough on a unit the square footage of which is exempt from the parcel tax under Article 18. Additionally, a landlord may not impose this passthrough on a unit where the initial base rent was set on or after June 1, 2027.*

(b) **Notice of Rent Increase for Tenants in Occupancy.** On or before the date upon which a landlord gives a tenant legal notice of a rent increase, the landlord shall inform the tenant, in writing, of the following:

(1) Which portion of the rent increase reflects the annual increase, and/or a banked amount, if any;

(2) Which portion of the rent increase reflects costs for increased operating and maintenance expenses, rents for comparable units, and/or capital improvements, rehabilitation, energy conservation measures improvements, or renewable energy improvements certified pursuant to Section 37.7. Any rent increase certified due to increases in operating and maintenance costs shall not exceed seven percent;

(3) Which portion of the rent increase reflects the passthrough of charges for: gas and electricity; or the passthrough of increased water bill charges attributable to water rate increases resulting from issuance of water revenue bonds authorized at the November 2002 election as provided by Section 37.3(a)(5)(B), which charges and calculations of charges shall be explained in writing on a form provided by the Board; or the passthrough of general obligation bond measure costs as provided by Section 37.3(a)(6), which charges shall be explained in writing on a form provided by the Board as described in Section 37.3(a)(6)(E);

(4) Which portion of the rent increase reflects the amortization of the RAP loan, as described in Section 37.3(a)(7) above.

(5) **Nonconforming Rent Increases.** Any rent increase which does not conform with the provisions of this Section shall be null and void.

(6) With respect to rental units occupied by recipients of tenant-based rental assistance, the notice requirements of this Subsection (b) shall be required in addition to any notice required as part of the tenant-based rental assistance program.

(c) **Initial Rent Limitation for Subtenants.** A tenant who subleases his or her rental unit may charge no more rent upon initial occupancy of the subtenant or subtenants than that rent which the tenant is currently paying to the landlord.

(d) **Costa-Hawkins Rental Housing Act (Civil Code Sections 1954.50. *et seq.*).** Consistent with the Costa-Hawkins Rental Housing Act (Civil Code Sections 1954.50. *et seq.*) and regardless of whether otherwise provided under Chapter 37:

(1) **Property Owner Rights to Establish Initial and All Subsequent Rental Rates for Separately Alienable Parcels.**

(A) An owner of residential real property may establish the initial and all subsequent rental rates for a dwelling or a unit which is alienable separate from the title to any other dwelling unit or is a subdivided interest in a subdivision as specified in subdivision (b), (d), or (f) of Section 11004.5 of the California Business and Professions Code. The owner's right to establish subsequent rental rates under this subsection (d)(1)(A) shall not apply to a dwelling or unit where either of the following apply:

(i) The unit is a condominium dwelling or unit that has not been sold separately by the subdivider to a bona fide purchaser for value; but subsection (d)(1)(A) shall apply to a single unsold condominium dwelling or unit, if all the other condominium dwellings or units have been sold separately by the subdivider to bona fide purchasers for value, and the subdivider has occupied the remaining unsold condominium dwelling or unit as their principal residence for at least one year after the subdivision occurred.

(ii) The preceding tenancy has been terminated by the owner by notice pursuant to California Civil Code Section 1946.1 or has been terminated upon a change in the terms of the tenancy noticed pursuant to California Civil Code Section 827; in such instances, the rent increase limitation provisions of Chapter 37 shall continue to apply for the duration of the new tenancy in that dwelling or unit.

(B) Where the initial or subsequent rental rates of a Subsection 37.3(d)(1)(A) dwelling or unit were controlled by the provisions of Chapter 37 on January 1, 1995, the following shall apply:

(i) A tenancy that was in effect on December 31, 1995, remains subject to the rent control provisions of this Chapter 37, and the owner may not otherwise establish the subsequent rental rates for that tenancy.

(ii) On or after January 1, 1999, an owner may establish the initial and all subsequent rental rates for any tenancy created on or after January 1, 1996.

(C)[1] An owner's right to establish subsequent rental rates under Subsection 37.3(d)(1) shall not apply to a dwelling or unit which contains serious health, safety, fire or building code violations, excluding those caused by disasters, for which a citation has been issued by the appropriate governmental agency and which has remained unabated for six months or longer preceding the vacancy.

(D)[1] An owner's right to establish subsequent rental rates under subsection 37.3(d)(1) shall not apply to a dwelling or unit that is a new dwelling unit created pursuant to the Code provisions specified in subsection 37.2(r)(4)(D), or a dwelling unit that utilizes the Code provisions specified in subsection 37.2(r)(4)(D).

(2) **Conditions for Establishing the Initial Rental Rate Upon Sublet or Assignment.** Except as identified in this Subsection 37.3 (d)(2), nothing in this Subsection or any other provision of law of the City and County of San Francisco shall be construed to preclude express establishment in a lease or rental agreement of the rental rates to be applicable in the event the rental unit subject thereto is sublet, and nothing in this Subsection shall be construed to impair the obligations of contracts entered into prior to January 1, 1996, subject to the following:

(A) Where the original occupant or occupants who took possession of the dwelling or unit pursuant to the rental agreement with the owner no longer permanently reside there, an owner may increase the rent by any amount allowed by this Subsection to a lawful sublessee or assignee who did not reside at the dwelling or unit prior to January 1, 1996. However, such a rent increase shall not be permitted while:

(i) The dwelling or unit has been cited in an inspection report by the appropriate governmental agency as containing serious health, safety, fire, or building code violations, as defined by Section 17920.3 of the California Health and Safety Code, excluding any violation caused by a disaster; and,

(ii) The citation was issued at least 60 days prior to the date of the vacancy: and,

(iii) The cited violation had not been abated when the prior tenant vacated and had remained unabated for 60 days or for a longer period of time. However, the 60-day time period may be extended by the appropriate governmental agency that issued the citation.

(B) This Subsection 37.3(d)(2) shall not apply to partial changes in occupancy of a dwelling or unit where one or more of the occupants of the premises, pursuant to the agreement with the owner provided for above (37.3(d)(2)), remains an occupant in lawful possession of the dwellings or unit, or where a lawful sublessee or assignee who resided at the dwelling or unit prior to January 1, 1996, remains in possession of the dwelling or unit. Nothing contained in this Subsection 37.3(d)(2) shall be construed to enlarge or diminish an owner's right to withhold consent to a sublease or assignment.

(C) Acceptance of rent by the owner shall not operate as a waiver or otherwise prevent enforcement of a covenant prohibiting sublease or assignment or as a waiver of an owner's rights to establish the initial rental rate unless the owner has received written notice from the tenant that is party to the agreement and thereafter accepted rent.

(3) **Termination or Nonrenewal of a Contract or Recorded Agreement with a Government Agency Limiting Rent.** An owner who terminates or fails to renew a contract or recorded agreement with a governmental agency that provides for a rent limitation to a qualified tenant, shall be subject to the following:

(A) The tenant(s) who were beneficiaries of the contract or recorded agreement shall be given at least 90 days' written notice of the effective date of the termination and shall not be obligated to pay more than the tenant's portion of the rent, as calculated under that contract or recorded agreement, for 90 days following receipt of the notice of termination or nonrenewal.

(B) The owner shall not be eligible to set an initial rent for three years following the date of the termination or nonrenewal of the contract or agreement.

(C) The rental rate for any new tenancy established during the three-year period in that vacated dwelling or unit shall be at the same rate as the rent under the terminated or nonrenewed contract or recorded agreement, plus any increases authorized under this Chapter 37 after the date of termination/non renewal.

(D) The provisions of Subsections 37.3(d)(3)(B) and (C) shall not apply to any new tenancy of 12 months or more duration established after January 1, 2000, pursuant to the owner's contract or recorded agreement with a governmental agency that provides for a rent limitation to a qualified tenant unless the prior vacancy in that dwelling or unit was pursuant to a nonrenewed or canceled contract or recorded agreement with a governmental agency that provides for a rent limitation to a qualified tenant.

(4) Subsection 37.3(d) does not affect the authority of the City and County of San Francisco to regulate or monitor the basis or grounds for eviction.

(5) This Subsection 37.3(d) is intended to be and shall be construed to be consistent with the Costa-Hawkins Rental Housing Act (Civil Code Sections 1954.50 *et seq.*).

(e) **Effect of Deferred Maintenance on Passthroughs for Lead Remediation Techniques.**

(1) When lead hazards are remediated or abated pursuant to San Francisco Health Code Articles 11 or 26, are violations of State or local housing health and safety laws, there shall be a rebuttable presumption that the lead hazards are caused or created by deferred maintenance as defined herein of the current or previous landlord. If the landlord fails to rebut the presumption, the costs of such work shall not be passed through to tenants as either a capital improvement or an operating and maintenance expense. If the landlord rebuts the presumption, he or she shall be entitled to a rent increase if otherwise justified by the standards set forth in this Chapter.

(2) For purposes of the evaluation of petitions for rent increases for lead remediation work, maintenance is deferred if a reasonable landlord under the circumstances would have performed, on a regular basis, the maintenance work required to keep the premises from being in violation of housing safety and habitability standards set forth in California Civil Code Section 1941 and the San Francisco Municipal Code. In order to prevail on a deferred maintenance defense, a tenant must show that the level of repair or remediation currently required would have been lessened had maintenance been performed in a more timely manner.

(f) **Costa-Hawkins Vacancy Control.** Where a landlord has terminated the previous tenancy as stated in either subsection (1), (2) or (3) below, for the next five years from the termination, the initial base rent for the subsequent tenancy shall be a rent not greater than the lawful rent in effect at the time the previous tenancy was terminated, plus any annual rent increases available under this Chapter 37. This Section 37.3(f) is intended to be consistent with California Civil Code Section 1954.53(a)(1)(A)-(B).

(1) Where the previous tenancy was terminated by a notice of termination of tenancy issued under California Civil Code Section 1946.1 stating the ground for recovery of possession under Sections 37.9(a)(8), (9), (10), (11), (14), or (17) of this Code. For purposes of the termination of tenancy under Section 37.9(a)(9), the initial rent for the unit may be set by a subsequent bona fide purchaser for value of the condominium.

(2) Where the previous tenancy was terminated upon a change in terms of tenancy noticed under California Civil Code Section 827, except a change in rent permitted by law. Within 10 days after serving the notice of termination based upon a change in terms of tenancy under Civil Code Section 827, the landlord shall notify the Board in writing of the monthly rent the tenant was paying when the landlord gave the notice to the tenant, and provide a copy of the notice to the Board to the tenant.

(3) Where the landlord terminated or did not renew a contract or recorded agreement with a governmental agency that provided for a rent limitation to a qualified tenant. When a landlord terminates a tenant-based rental assistance program, the landlord shall, within 10 days after giving the notice of termination of the program to the tenant, notify the Board in writing of the monthly rent the tenant was paying and the monthly rent paid by the program to the landlord on behalf of the tenant when the landlord gave notice to the tenant, and provide a copy of the notice to the Board to the tenant.

(g) **New Construction and Substantial Rehabilitation.**

(1) An owner of a residential dwelling or unit which is newly constructed and first received a certificate of occupancy after the effective date of Ordinance No. 276-79 (June 13, 1979), or which the Rent Board has certified has undergone a substantial rehabilitation, may establish the initial and all subsequent rental rates for that dwelling or unit, except where any of the following apply:

(A) Where rent restrictions apply to the dwelling or unit under Sections 37.3(d) or 37.3(f).

(B) Where the dwelling or unit is a replacement unit under Section 37.9A(b).

(C) As provided for certain categories of units under Section 37.2(r)(4)(D).

(D) As provided in a development agreement entered into by the City under Administrative Code Chapter 56.

(E) The Board of Supervisors acknowledges that at least through November 5, 2024, California Civil Code Sections 1954.52(a)(1)-(2) preclude the City from updating the June 13, 1979 new construction date specified in this subsection (g)(1). In the event State law is amended or repealed in this regard, said new construction date shall immediately cease to apply, and shall by operation of law pursuant to this subsection (g)(1)(E) be updated to reflect the latest date that State law may allow, up to and including June 13, 1994. The applicability of an updated new construction date under this subsection (g)(1)(E) shall not affect whether a unit is exempt under some other legal basis set forth in this Chapter 37. If no other exemption applies and a unit becomes covered by Chapter 37's rent increase limitations by operation of this subsection (g)(1)(E), the initial base rent shall be the lawful rent that applied as of the date of coverage. If no rent was in effect as of the date of coverage, then the initial base rent shall be the first lawful rent in effect after that date.

SEC. 37.8. ARBITRATION OF RENTAL INCREASE ADJUSTMENTS.

(a) **Authority of Board and Administrative Law Judge.** In accordance with such guidelines as the Board shall establish, the Board and designated Administrative Law Judges shall have the authority to arbitrate rental increase adjustments, and to administer the rent increase protest procedures with respect to RAP rental units as set forth in Chapter 32 of the San Francisco Administrative Code.

(b) **Request for Arbitration.**

(1) **Landlords.** Landlords who seek to impose rent increases which exceed the limitations set forth in Section 37.3(a) above must request an arbitration hearing as set forth in this Section. The burden of proof is on the landlord. This Section 37.8(b)(1) applies, but is not limited, to Operating and Maintenance Expense petitions to increase base rent.

(A) Where a landlord Operating and Maintenance Expense petition to increase base rent is granted, based upon a petition pending or filed on or after October 28, 2003 for a property with six or more residential units, the same landlord shall not impose more than a total seven percent (7%) base rent increase on any unit in any five (5) year period due to increases in operating and maintenance costs.

(2) **Tenants.**

(A) Notwithstanding Section 37.3, tenants of non-RAP rental units and tenants of RAP rental units in areas designated on or after July 1, 1977, may request arbitration hearings where a landlord has substantially decreased services without a corresponding reduction in rent and/or has failed to perform ordinary repair and maintenance under State or local law and/or has failed to provide the tenant with a clear explanation of the current charges for gas and electricity or bond measure costs passed through to the tenant and/or imposed a nonconforming rent increase which is null and void. The burden of proof is on the tenant.

(B) Tenants of RAP rental units in areas designated prior to July 1, 1977, may petition for a hearing where the landlord has noticed an increase which exceeds the limitations set forth in Section 32.73 of the San Francisco Administrative Code. After a vacancy has occurred in a RAP rental unit in said areas, a new tenant of said unit may petition for a hearing where the landlord has demanded and/or received a rent for that unit which exceeds the rent increase limitations set forth in Section 32.73 of the San Francisco Administrative Code. The burden of proof is on the landlord.

(c) **Procedure for Landlord Petitioners.**

(1) **Filing.** The request for arbitration must be filed on a petition form prescribed by the Board and shall be accompanied by such supporting material as the Board shall prescribe, including but not limited to, justification for the proposed rental increase.

(2) **Filing Date.** The petition must be filed prior to the mailing or delivering to the tenant or tenants legal notice of the rental increase exceeding the limitations as defined in Section 37.3.

(3) **Effect of Timely Filing of Petition.** Provided a completed petition is timely filed, that portion of the requested rental increase which exceeds the limitations set forth in Section 37.3 and has not been certified as a justifiable increase in accordance with Section 37.7 is inoperative until such time as the Administrative Law Judge makes findings of fact at the conclusion of the arbitration hearing.

(4) **Notice to Parties.** The Board shall calendar the petition for hearing before a designated Administrative Law Judge and shall give written notice of the date to the parties at least 10 days prior to the hearing.

(d) **Procedure for Tenant Petitioners.**

(1) **Filing; Limitation.** The request for arbitration must be filed on a petition form prescribed by the Board and must be accompanied by such supporting material as the Board shall prescribe, including but not limited to, a copy of the landlord's notice of rent increase. If the tenant petitioner has received certification findings regarding his rental unit in accordance with Section 37.7, such findings must accompany the petition. If the tenant petitioner has received a notification from the Chief Administrative Officer with respect to base rent and amortization of a RAP loan, such notification must accompany the petition. A tenant petition regarding a gas and electricity passthrough must be filed within one year of the effective date of the passthrough or within one year of the date the passthrough was required to be recalculated pursuant to rules and regulations promulgated by the Board. A tenant petition regarding a water revenue bond passthrough under Section 37.3(a)(5)(B) must be filed within one year of the effective date of the passthrough. A tenant petition regarding a general obligation bond cost passthrough under Section 37.3(a)(6) must be filed within one year of the effective date of the passthrough.

(2) **Notice to Parties.** The Board shall calendar the petition for hearing before a designated Administrative Law Judge and shall give written notice of the date to the parties at least 10 days prior to the hearing. Responses to a petition for hearing may be submitted in writing

(e) **Hearings.**

(1) **Time of Hearing.** The hearing shall be held within 45 days of the filing of the petition. The level of housing services provided to tenants' rental units shall not be decreased during the period between the filing of the petition and the conclusion of the hearing.

(2) **Consolidation.** To the greatest extent possible, hearings with respect to a given building shall be consolidated.

(3) **Conduct of Hearing.** The hearing shall be conducted by an Administrative Law Judge designated by the Board. Both parties may offer such documents, testimony, written declarations or other evidence as may be pertinent to the proceedings. A record of the proceedings must be maintained for purposes of appeal.

(4) **Determination of the Administrative Law Judge: Rental Units.** Based upon the evidence presented at the hearing and upon such relevant factors as the Board shall determine, the Administrative Law Judge shall make findings as to whether the landlord's proposed rental increase exceeding the limitations set forth in Section 37.3 is justified or whether the landlord has effected a rent increase through a reduction in services or has failed to perform ordinary repair and maintenance as required by State or local law; and provided further that, where a landlord has imposed a passthrough pursuant to this Chapter 37, the same costs shall not be included in the calculation of increased operating and maintenance expenses pursuant to this subsection (4). In making such findings, the Administrative Law Judge shall take into consideration the following factors:

(A) Increases or decreases in operating and maintenance expenses, including, but not limited to, water and sewer service charges; janitorial service; refuse removal; elevator service; security system; insurance for the property; debt service and real estate taxes as set forth in subsections (i) and (ii); reasonable and necessary management expenses as set forth in subsection (iii); and routine repairs and maintenance as set forth in subsection (iv).

(i) For petitions filed before December 11, 2017, the Rent Board may consider increased debt service and increased real estate taxes; provided, however, that if the property has been purchased within two years of the date of the previous purchase, consideration shall not be given to that portion of increased debt service which has resulted from a selling price which exceeds the seller's purchase price by more than the percentage increase in the "Consumer Price Index for All Urban Consumers for the San Francisco-Oakland Metropolitan Area, U.S. Department of Labor" between the date of previous purchase and the date of the current sale, plus the cost of capital improvements or rehabilitation work made or performed by the seller.

(ii) For petitions filed on or after December 11, 2017, the Rent Board shall not consider any portion of increased debt service, or that portion of increased real estate taxes that has resulted from an increased assessment due to a change in ownership; provided, however, that the Rent Board may consider that portion of increased real estate taxes that has resulted from the completion of needed repairs or capital improvements with respect to any petition filed on or after December 11, 2017; and provided, further, that the Rent Board may consider increased debt service and increased real estate taxes in a petition filed on or after December 11, 2017 pursuant to Section 37.8(e)(4)(A)(i), if the landlord demonstrates that it had purchased the property on or before April 3, 2018 and that it had reasonably relied on its ability to pass through those costs at the time of the purchase. *Further, the Rent Board shall not consider any portion of increased costs attributable to the parcel tax imposed under Article 18 of the Business and Tax Regulations Code.*

(iii) For petitions filed on or after the effective date of the ordinance in Board of Supervisors File No. 180318, the Rent Board may consider management expenses only to the extent those expenses are reasonable and necessary, based on factors such as the need to provide day-to-day management of the building; the level of management services previously required for the building; the reasonable cost of the services in an arms-length transaction; whether any tenants have objected that the cost and quality of the services are not in keeping with the socioeconomic status of the building's existing tenants; and other extraordinary circumstances.

(iv) The term routine repairs and maintenance shall not include any costs for installation or upgrade of a fire sprinkler system or fire alarm and/or detection system attributable to the landlord's compliance with a Fire Life Safety Notice and Order issued by the Building Official under Sections 107A.16.1 *et seq.* of the Building Code or the fire code official under Sections 109.3 *et seq.* of the Fire Code.

(B) The past history of increases in the rent for the unit and the comparison of the rent for the unit with rents for comparable units in the same general area.

(C) Any findings which have been made pursuant to Section 37.7 with respect to the unit.

(D) Failure to perform ordinary repair, replacement, and maintenance in compliance with applicable State and local law.

(E) Any other such relevant factors as the Board shall specify in rules and regulations.

(5) **Determination of the Administrative Law Judge: RAP Rental Units.**

(A) **RAP Rental Units in RAP Areas Designated Prior to July 1, 1977.** The Administrative Law Judge shall make findings as to whether or not the noticed or proposed rental increase exceeds the rent increase limitations set forth in Section 32.73 of the San Francisco Administrative Code. In making such findings, the Administrative Law Judge shall apply the rent increase limitations set forth in Chapter 32 of the San Francisco Administrative Code and all rules and regulations promulgated pursuant thereto. The Administrative Law Judge shall consider the evidence presented at the hearing. The burden of proof shall be on the landlord.

(B) **RAP Rental Units in RAP Areas Designated On or After July 1, 1977.** The Administrative Law Judge shall make findings with respect to rent increases exceeding the limitations as set forth in Section 37.3 of this Chapter. In making such findings, the Administrative Law Judge shall take into consideration the factors set forth in Subsection (4) above and shall consider evidence presented at the hearing. The burden of proof is on the landlord.

(6) **Findings of Fact.** The Administrative Law Judge shall make written findings of fact, copies of which shall be mailed to the parties within 30 days of the hearing.

(7) **Payment or Refund of Rents to Implement Arbitration Decision.** Upon finding that all or any portion of the rent increase is or is not justified, or that any nonconforming rent increase is null and void, the Administrative Law Judge may order payment or refund of all or a portion of that cumulative amount within 15 days of the mailing of the findings of fact or may order the amount added to or offset against future rents; provided, however, that any such order shall be stayed if an appeal is timely filed by the aggrieved party. The Administrative Law Judge may order refunds of rent overpayments resulting from rent increases which are null and void for no more than the three-year period preceding the month of the filing of a landlord or tenant petition, plus the period between the month of filing and the date of the Administrative Law Judge's decision. In any case, calculation of rent overpayments and re-setting of the lawful base rent shall be based on a determination of the validity of all rent increases imposed since April 1, 1982, in accordance with Sections 37.3(b)(5) and 37.3(a)(2) above.

(8) **Finality of Administrative Law Judge's Decision.** The decision of the Administrative Law Judge shall be final unless the Board vacates his decision on appeal.

(f) **Appeals.**

(1) **Time and Manner.** Any appeal to the Board from the determination of the Administrative Law Judge must be made within 15 calendar days of the mailing of the findings of fact unless such time limit is extended by the Board upon a showing of good cause. If the fifteenth day falls on a Saturday, Sunday or legal holiday, the appeal may be filed with the Board on the next business day. The appeal shall be in writing and must state why appellant believes there was either error or abuse of discretion on the part of the Administrative Law Judge. The filing of an appeal will stay only that portion of any Administrative Law Judge's decision which permits payment, refund, offsetting or adding rent.

(2) **Record on Appeal.** Upon receipt of an appeal, the entire administrative record of the matter, including the appeal, shall be filed with the Board.

(3) **Appeals.** The Board shall, in its discretion, hear appeals. In deciding whether or not to hear a given appeal, the Board shall consider, among other factors, fairness to the parties, hardship to either party, and promoting the policies and purposes of this Chapter, in addition to any written comments submitted by the Administrative Law Judge whose decision is being challenged. The Board may also review other material from the administrative record of the matter as it deems necessary. A vote of three members shall be required in order for an appeal to be heard.

(4) **Remand to Administrative Law Judge Without Appeal Hearing.** In those cases where the Board is able to determine on the basis of the documents before it that the Administrative Law Judge has erred, the Board may remand the case for further hearing in accordance with its instructions without conducting an appeal hearing. Both parties shall be notified as to the time of the re-hearing, which shall be conducted within 30 days of remanding by the Board. In those cases where the Board is able to determine on the basis of the documents before it that the Administrative Law Judge's findings contain numerical or clerical inaccuracies,

or require clarification, the Board may continue the hearing for purposes of re-referring the case to said Administrative Law Judge in order to correct the findings.

(5) **Time of Appeal Hearing; Notice to Parties.** Appeals accepted by the Board shall be heard within 45 days of the filing of an appeal. Within 30 days of the filing of an appeal, both parties shall be notified in writing as to whether or not the appeal has been accepted. If the appeal has been accepted, the notice shall state the time of the hearing and the nature of the hearing. Such notice must be mailed at least 10 days prior to the hearing.

(6) **Appeal Hearing; Decision of the Board.** At the appeal hearing, both appellant and respondent shall have an opportunity to present oral testimony and written documents in support of their positions. After such hearing and after any further investigation which the Board may deem necessary the Board may, upon hearing the appeal, affirm, reverse or modify the Administrative Law Judge's decision or may remand the case for further hearing in accordance with its findings. The Board's decision must be rendered within 45 days of the hearing and the parties must be notified of such decision.

(7) **Notification of the Parties.** In accordance with item (6) above, parties shall receive written notice of the decision. The notice shall state that this decision is final.

(8) **Effective Date of Appeal Decisions.** Appeal decisions are effective on the date mailed to the parties; provided, however, that that portion of any decision which orders payment, refund, offsetting or adding rent shall become effective 30 calendar days after it is mailed to the parties unless a stay of execution is granted by a court of competent jurisdiction.

(9) **Limitation of Actions.** A landlord or tenant aggrieved by any decision of the Board must seek judicial review within 90 calendar days of the date of mailing of the decision.

SECTION 4. Article XIII of Chapter 10 of the Administrative Code is hereby amended by adding Section 10.100-338, to read as follows:

*SEC. 10.100-338. **STRONGER MUNI FUND.***

*(a) **Establishment of Fund.** The Stronger Muni Fund ("Fund") is established as a category four fund as defined in Section 10.100-1 of the Administrative Code, and shall receive all taxes, penalties, interest, and fees collected from the Stronger Muni For All Parcel Tax imposed under Article 18 of the Business and Tax Regulations Code.*

*(b) **Use of Fund.** Subject to the budgetary and fiscal provisions of the Charter, monies in the Fund shall be used exclusively for the purposes described in Section 1810 of Article 18 of the Business and Tax Regulations Code.*

(c) The Controller shall report to the Board of Supervisors as required by subsection (c) of Section 1810 of Article 18 the Business and Tax Regulations Code.

SECTION 5. Appropriations Limit Increase.

Pursuant to California Constitution Article XIII B and applicable laws, for four years from November 3, 2026, the appropriations limit for the City shall be increased by the aggregate sum of the tax imposed by Article 18 of the Business and Tax Regulations Code.

SECTION 6. No Conflict with Federal or State Law.

Nothing in this measure shall be interpreted or applied so as to create any requirement, power, or duty in conflict with any federal or state law.

SECTION 7. Scope of Ordinance.

In enacting this ordinance, the People of the City and County of San Francisco intend 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 or deletions, in accordance with the "Note" that appears under the official title of the ordinance.

SECTION 8. Severability.

Except as provided in Section 1814(b) of Article 18 of the Business and Tax Regulations Code in Section 2 of this ordinance, if any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The People of the City and County of San Francisco hereby declare that they would have adopted this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

SECTION 9. Effective Date.

The effective date of this ordinance shall be at 12:00 a.m. on the eleventh day after the date the official vote count is declared by the Board of Supervisors.