

A Bad Deal for San Francisco Owners!

by David Fix

San Francisco politics regarding property ownership is challenging at best. In almost every election there is a ballot initiative that will restrict homeownership opportunities or the right to control your own property. November 2006 was no exception. The ballot measure this year was particularly restrictive. San Francisco has required the payment of “moving expenses” for “no fault evictions” for many years. However, Proposition H significantly increased the amount and scope of those payments.

Old Rules

Under the old law, a tenant who has lived in their unit for at least one year was entitled to receive a payment of \$1,000 (up to three tenants or \$3,000 per unit) for “relocation expenses” if the owner or a relative of the owner wanted to move into a unit. For a temporary relocation so that the property owner may make capital improvements, the amount was the actual cost of the move, up to \$1,000 for the unit. These rules only applied to multi-unit buildings.

New Rules

Prop H increased the amount of the payments and the types of buildings covered under the law. The new law expanded these payments to cover any type of housing, including single-family homes and condos that are not under rent control under state law. Under the new law, a tenant who has lived in their unit for at least one year is entitled to receive a payment of \$4,500 (up to three tenants or \$13,500 per unit) for “relocation expenses” if the owner or a relative of the owner wants to move in into the unit or if the tenant has to relocate temporarily for capital improvements to the property. Prop H also requires the payment of an additional \$3,000 per tenant who is over the age of 60, disabled or has a child under 18. This law has the potential to require payments of \$22,500 (and possibly more) to move into your own building or make necessary improvements to your building. These amounts are significantly greater than any other jurisdiction. Los Angeles requires a payment of \$3,450 per **unit** or \$8,550 per unit if it is occupied by someone age 62 or older, or with a disability or with a child under age 18. Other California jurisdictions with rent control require amounts similar to or less than Los Angeles.

The placement of Prop H on the ballot was within the law but an abuse of the legislative process. Four supervisors placed this measure on the ballot on the very last day for submittal of ballot measures. There were no public hearings, debate or opportunity to compromise. This was about politics not policy. The supervisors had the chance to pass this ordinance through the proper legislative process, but that would have required compromise.

During the campaign I stated that the amounts required under the old law were outdated and should be increased, but these amounts were excessive. These payments are made regardless of the tenants’ or owners’ financial circumstances. As I stated during the campaign, if the payment increase was reasonable, perhaps a 100% increase, or the payments were targeted to low-income tenants, then we would not have objected to the increase. We pointed out the negative consequences of the measure; it will be more difficult for first time homeowners, for owners to take care of their family, the housing

stock will deteriorate, there will be an increase in Ellis evictions and a decrease in the rental housing supply as more owners remove their units from the housing stock.

Prop H: A Tough Measure to Defeat

The passage of Prop H was not a surprise; I said from the outset that it would be difficult to defeat. When people can vote to give themselves money, it is very difficult to convince them not to. The other side saw the passage as a big victory. It clearly was not. Prop H was the closest of all the local ballot measures, less than 53% of San Francisco voters voted for its passage. The other City propositions passed by a much larger percentage. Only one ballot initiative - the increase in the parking tax- failed. The opposition to the parking tax measure spent more than three times as much money on their campaign than we did to fight Prop H. If we had that kind of money, we most certainly would have prevailed as well.

450 members donated to the “No on H” campaign, mostly in small amounts of \$50 - \$100 per member. We also had larger donations from other like-minded organizations. Clearly this issue resonated with our members. This was not the “real estate industry” fighting the initiative but the “mom and pop” property owners that this legislation was targeted to harm. We mailed 180,000 pieces of mail directly to voters, plus we mailed another 20,000 postcards to our members for them to deliver to their friends and neighbors. If all of our members sent out their postcards, we would have delivered 200,000 pieces of mail to the voters. This represents almost 50% of the registered voters in San Francisco. That is a very good result on a small budget.

What could we have done differently to defeat this measure? If we had more money we could have educated the voters better. This campaign was all about educating the voters about the negative ramifications of the proposition, something that could not be done with a simple sound bite. The political consultants with whom we spoke said that we needed \$200,000 or more to run a “serious” campaign against this initiative. Also, if we had more volunteers we would have been able to reach more voters. Given all that, we did very well with the election outcome. Clearly, many tenants understand and also believe that these laws are unfair and counterproductive. However, we lost and now we have to live with the outcome.

The Future of Prop H

So the question is where do we go from here? I received a number of emails asking if we are going to mount a legal challenge to Prop H. Two of those emails came from the very people that we were trying to protect from Prop H. One was from a senior citizen with a heart condition who has lived in his building for more than 20 years. He wants to move his senior citizen brother into his building so that they can take care of each other, but he does not have the \$16,500 to pay to the existing tenants. The other is from a young family with two infants that just bought a building in the City. He is a San Francisco native and wanted to move his family back into the city from the East Bay. They do not have the \$13,500 to pay to the three young working women who live in their building. The Supervisors claim that they want to keep families with children in San Francisco and help seniors, but here are two families that are already hurt by this legislation. There will be many more in the future. These are but two stories in just the first month after its passage.

A lawsuit would be a costly endeavor. Will we be able to raise enough money to file a lawsuit against the City? Besides money, we will need plaintiffs for any court challenge. We cannot just sue the City. If Prop H has affected you or someone you know, please let us know. We need your stories and potential plaintiffs if we do file a lawsuit. If you would like to contribute to a court challenge please contact me.

Who We Are

SPOSF was founded in 1998. SPOSF is an all-volunteer diverse grass roots not-for-profit organization promoting sensible housing policy in San Francisco and fairness for small property owners. We help our members navigate the treacherous waters of the SF Rent Ordinance and educate the public about regulations that are strangling small property owners. We work together to affect legislation, endorse and campaign for candidates sympathetic to our cause and strive to increase home ownership opportunities for all San Franciscans. We mount legal challenges to issues that threaten our property rights; through our educational programs, we reach out to our members and the community at large. Today, our members number more than 2,500, and SPOSF is heard in City Hall, in Sacramento, in the news media and anywhere the rights and interests of San Francisco small property owners are challenged. We have had many successes over the years. To join or for more information about SPOSF, please visit us at smallprop.org.

[Ed. Note: Please know that AOA's position on relocation fees is that any amount set by the government is unfair and excessive. Under our American Economic System of Free Enterprise, the only fees should be those agreed upon voluntarily by both parties to a transaction!]

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