

**San Francisco's Prop H Relocation Assistance Law
Has Negative Impact on Rental Market**
By Gideon Kramer, SPOSFI News Editor

Proposition H, a ballot measure passed by San Francisco voters in November of 2006, requires a landlord to provide relocation assistance to tenants subject to “no-fault” evictions: permanent eviction due to owner move-in (OMI), condo conversion, the Ellis Act, temporary eviction necessitated by major repairs, kitchen or bathroom modernization, or asbestos and lead removal. Tenant activists promoted Prop H as a legislative means to protect tenants against eviction as well as a way to preserve the city’s stock of rental housing. As so often happens with ill-conceived measures, Prop H may bring about the exact opposite—the law of unintended consequences.

In articulating its vehement opposition to Prop H at the time, SPOSFI pointed to the following glaring issues:

- Although providing reasonable relocation assistance was already part of the San Francisco Rent Ordinance, Prop H nearly trebles the benefits, up to \$13,500, or even more (up to \$22,500) if one or more of the occupants is a senior, disabled, or under the age of 18.
- Prop H requires that payments be made to all occupants regardless of length of residency or financial need.
- Prop H expands the law to subject single family homes and condos to the same rules as large apartment buildings, targeting small neighborhood buildings of two to four units owned by middle-income San Franciscans.
- Prop H’s prohibitively high payments discourage small property owners from performing needed capital improvements, resulting in further deterioration of the city’s aging housing stock.
- Prop H results in a shortage of rentals and increased rents by forcing many middle-income small property owners to pull their rental property off the market—including resorting to use of the Ellis Act—because they can’t afford to remain in business.

SPOSF invested considerable resources to defeat Prop H. We sent out postcards to the voters, wrote and funded the paid argument against the measure in the Voter’s Handbook, rallied the troops to attend public hearings at City Hall, and mounted a major letter-writing campaign. However, with nearly 70% of the San Francisco electorate being renters, it was not a battle we were likely to win, and Prop H became another in a long and growing list of regulatory and financial burdens placed on small property owners.

While it’s hard to gauge the actual effects of Prop H in the short term, here’s one of several letters we received from members in response to our recent Question of the Month, about how Prop H has affected them:

“Prop H is having a direct impact on my rental property remodel right now. I have a traditional three-flat corner building that was turned into five units in the 1920s. The two new back units enter through the back porches. When I bought the building three years ago, I knew that the

porches were in poor condition and that I would need to rebuild them. Building contractors are telling me that the whole structure should come down and be rebuilt, meaning that I would have to temporarily evict my back tenants. Since the relocation payments for the temporary eviction as mandated by Prop H are the same as those I would incur in doing a full-fledged Ellis Act eviction, I am very tempted now to simply take my building off the rental market and sell the units off as tenancies-in-common (TICs) instead.

So, in my opinion, the capital improvements eviction penalty mandated by Prop H is the worst, and obviously has a tremendous chilling effect on anyone wanting or needing to do an upgrade to their building. It has certainly had that effect on me.”

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