

1 [Administrative Code - New Construction Exemption from Rent Control]

2
3 **Ordinance amending the Administrative Code to provide that newly constructed**
4 **dwelling units that first received a certificate of occupancy between June 143, 1979,**
5 **and June 13, 1994, ~~November 5, 2024~~ shall be generally subject to rent control, to the**
6 **extent authorized by a future modification or repeal of the Costa-Hawkins Rental**
7 **Housing Act; and making certain changes to clarify existing law regarding rent control**
8 **exemptions under Costa-Hawkins.**

9
10 **NOTE: Unchanged Code text and uncodified text** are in plain Arial font.
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.
12 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
13 **Board amendment additions** are in double-underlined Arial font.
14 **Board amendment deletions** are in ~~strikethrough Arial font~~.
15 **Asterisks (* * * *)** indicate the omission of unchanged Code
16 subsections or parts of tables.

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

18 Section 1. Purpose and Findings.

19 (a) In 1979, the City adopted a residential rent control ordinance (Ordinance No.
20 276-79) to protect tenants from excessive rent increases while assuring landlords fair and
21 adequate rents. The ordinance applied to certain then-existing dwelling units but not to newly
22 constructed units that would receive their first certificate of occupancy after the ordinance's
23 effective date ~~(on or after, which was~~ June 13, 1979). It has been amended over time and is
24 codified at Chapter 37 of the Administrative Code, entitled the Residential Rent Stabilization
25 and Arbitration Ordinance.

1 (b) In 1995, the Legislature adopted the Costa-Hawkins Rental Housing Act,
2 California Civil Code Section 1954.50 *et seq.*, which had the effect of freezing the City's new
3 construction exemption in place – Costa-Hawkins extinguished the ability of cities that had
4 new construction exemptions to ever update them. As a result, San Francisco has been
5 unable to update the date for its new construction exemption since it was first set 45 years
6 ago. Rental units built since 1979 are still treated in the rent control ordinance as “new,” and
7 an ever-increasing number of the City's tenants live in units that the City cannot protect from
8 excessive rent increases.

9 (c) Costa-Hawkins currently ties the City's hands to resolve this problem, but the
10 City can put itself on a path of extending rent control to more recently constructed units, in the
11 event Costa-Hawkins is amended or repealed to permit such an extension of rent control.
12 The People of the City and County of San Francisco declare that it is essential to extend rent
13 control to more units in San Francisco, so that the City can replenish its aging rent-controlled
14 housing, and tenants in newer housing can enjoy the same protections as those in older
15 housing. This ordinance would modify the new construction exemption to apply to units that
16 first received a certificate of occupancy up to and including June 13, 1994~~November 5, 2024~~,
17 to the fullest extent that State law allows. Residential units newly constructed after June 13,
18 1994~~November 5, 2024~~ would remain exempt from rent control. Also, the ordinance clarifies
19 existing law with regard to new construction and the exemption for condominiums in Costa-
20 Hawkins, but it does not otherwise affect the Costa-Hawkins exemption for condominiums and
21 single-family homes, or impose vacancy control.

22
23 Section 2. Chapter 37 of the Administrative Code is hereby amended by revising
24 Section 37.3, to read as follows:

25 **SEC. 37.3. RENT LIMITATIONS.**

1 * * * *

2 (d) **Costa-Hawkins Rental Housing Act (Civil Code Sections 1954.50–et seq.).**

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

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

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

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

19 (ii) The preceding tenancy has been terminated by the owner by notice
20 pursuant to California Civil Code Section 1946 or has been terminated upon a change in the
21 terms of the tenancy noticed pursuant to California Civil Code Section 827; in such instances,
22 the rent increase limitation provisions of Chapter 37 shall continue to apply for the duration of
23 the new tenancy in that dwelling or unit.

24 * * * *

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

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

7 (A) ~~Where~~ where rent restrictions apply to the dwelling or unit under Sections 37.3(d)
8 or 37.3(f);

9 (B) ~~Where~~ where the dwelling or unit is a replacement unit under Section 37.9A(b);

10 (C) ~~As~~ provided for certain categories of units under Section 37.2(r)(4)(D); ~~and~~

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

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



City and County of San Francisco
Tails
Ordinance

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

File Number: 240880

Date Passed: October 15, 2024

Ordinance amending the Administrative Code to provide that newly constructed dwelling units that first received a certificate of occupancy between June 14, 1979, and June 13, 1994, shall be generally subject to rent control, to the extent authorized by a future modification or repeal of the Costa-Hawkins Rental Housing Act; and making certain changes to clarify existing law regarding rent control exemptions under Costa-Hawkins.

September 30, 2024 Land Use and Transportation Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

September 30, 2024 Land Use and Transportation Committee - DUPLICATED AS AMENDED

September 30, 2024 Land Use and Transportation Committee - RECOMMENDED AS AMENDED

October 08, 2024 Board of Supervisors - NOT CONTINUED ON FIRST READING

Ayes: 4 - Dorsey, Engardio, Safai and Stefani

Noes: 7 - Chan, Mandelman, Melgar, Peskin, Preston, Ronen and Walton

October 08, 2024 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

October 08, 2024 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

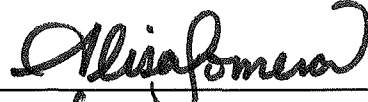
October 15, 2024 Board of Supervisors - FINALLY PASSED

Ayes: 10 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai and Walton

Excused: 1 - Stefani

File No. 240880

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 10/15/2024 by the Board of Supervisors of the City and County of San Francisco.



f Angela Calvillo
Clerk of the Board



London N. Breed
Mayor

10/24/24

Date Approved