



January 22, 2010

Members, Board of Supervisors
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Dear Supervisors:

This letter communicates my veto of the ordinance pending in File Number 090583, finally passed by the Board of Supervisors on January 12, 2010. This legislation proposes extending "just cause" eviction protections for tenants in most residential rental units with a certificate of occupancy issued after June 13, 1979 and that are not currently under rent control.

The vast majority of housing units in San Francisco were built prior to 1979 and already are subject to the eviction protections of the City's Rent Stabilization Ordinance. It is my belief that this legislation unnecessarily changes long-agreed upon rules for the benefit of a small group of tenants. And, this change would be at the expense of many homeowners and builders who relied upon existing law when deciding whether to rent their homes or units. For the same reason, extending eviction protections into post-1979 construction also would have a chilling effect on the financing of new housing development in the City.

My understanding is that the genesis of this legislation was to provide protection to tenants being unfairly displaced when banks took possession of a property through foreclosure. I strongly support this goal, but do not believe this legislation addresses this problem in the most effective and least harmful way. Most foreclosures in San Francisco have occurred in buildings built before 1979, including a recent high profile repossession of almost 300 rental properties from a single landlord. A recent analysis by the Assessor's office estimates 75% of foreclosures in San Francisco are happening in owner-occupied single family homes. This legislation may actually make this problem worse. Currently homeowners who have lost their jobs or otherwise are having a hard time making mortgage payments have the option of temporarily vacating and renting out their units until their financial situation stabilizes. By extending new eviction rules to all units citywide – regardless of whether they are in foreclosure – this legislation introduces much more financial risk for the temporary (or accidental) landlord.

I am also concerned about the impact this legislation will have on future housing development in San Francisco. By suddenly changing long-established rules and substantially increasing the difficulty of ending residential leases in order to sell condominiums, the legislation increases the risk of renting units on a temporary basis and, therefore jeopardizes financing from private lending institutions including the Federal Housing Authority – a key source of financing for affordable housing. This will make existing condominium units and new condominium buildings less saleable during a time when the City is trying to encourage growth and jobs. Increasing the risk and uncertainty tied to new housing development only will serve to increase the costs of development. Given that rental housing – even temporary – is the most affordable housing alternative for the majority of San Francisco residents, such a shift does not make sense.

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We need more housing in San Francisco, not less – especially for those in economic need. In the last three and a half years, we have seen the creation of 10,585 homes, of which 2,347 are affordable housing for low and moderate income households. With 2,025 more homes under construction, our housing initiative is on track and having its desired impact: an immediate and dramatic increase in housing production made possible by a thorough reform of the City's housing production system. This is critical work that must, and will, continue.

However, because the risks associated with foreclosure are real, I have introduced legislation to address this threat directly. I remain committed to supporting legislation that is focused on preventing unfair treatment of tenants in foreclosed properties, and welcome a coordinated effort with the Board of Supervisors to address this issue.

Sincerely,

Gavin Newsom
Mayor