



DAVID CHIU
邱信福
市參事會主席

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Contact: Amy Chan
amy.chan@sfgov.org
415.554.7419

Board President David Chiu Calls for Tenant Right of First Refusal Legislation

*Request to Create Right for Tenants to Offer to
Purchase Buildings and Expand Funding for Acquisition*

San Francisco, CA—Board of Supervisors President David Chiu today called for legislation that would create a Tenant Right of First Refusal. The Right of First Refusal would give tenants the opportunity to purchase their buildings at fair market value.

In similar legislation adopted in Washington, D.C., Baltimore, MD and the State of Florida, tenants are provided notice that the property will be up for sale and have a specified amount of time to match sale terms offered by another party.

“We need to do more to put housing in the hands of San Francisco tenants who are in danger of being evicted by speculative investors,” said Supervisor Chiu.

When exercised successfully, two outcomes would be created:

- Stabilizing the existing residential diversity in our neighborhoods; and
- Creating long-term, affordable, workforce homeownership or rental housing

The Right of First Refusal proposal responds to recent concerns over increasing Ellis Act evictions, which frequently occur in small buildings that house our City’s most diverse populations, including seniors and disabled residents. Under the proposal, a property owner that wants to go out of the rental business would have the option to sell to its tenants at market-rate instead of a short-term investor whose business plan is to evict the tenants and flip the building. The proposal would protect an owner’s ability to sell at market rate while preventing tenant displacement and achieving neighborhood stability.

“Done right, this could stabilize San Francisco's neighborhoods and save the fabric of our communities,” said Reverend Norman Fong of Chinatown Community Development Center. “We are looking forward to working with President Chiu, the Board, and the Mayor in hammering out the details.”

“With this legislation, tenants can fight off real estate speculators who are looking to buy rent controlled buildings with the intent of evicting all the tenants,” said Ted Gullicksen of the San Francisco Tenants Union.

Because the Right of First Refusal needs to be supported by funding streams to assist tenants in purchasing their buildings, Supervisor Chiu will explore funding streams to increase the existing Small Site Acquisition Fund to complement the legislation. The Small Site Acquisition Fund was created through a small contribution from the Inclusionary Housing Program and the Housing Trust Fund in order to acquire small buildings and convert them into affordable housing.

Supervisor Chiu will work with the housing community in the coming weeks to develop the parameters of the legislation, including identifying buildings and neighborhoods where this program would generate the highest impact and success.

In 2009, Supervisor Chiu worked with community members to successfully convert 53 Columbus Avenue in Chinatown/North Beach into a permanently affordable limited-equity cooperative with funding assistance from the City, creating the first land trust in San Francisco. Now called the Columbus United Cooperative, the 21-unit building will remain affordable in perpetuity, and shares of the building cannot be resold at higher market values.

"As we experience an increase in no-fault evictions and absentee investor ownership of property in San Francisco, this new legislation will enable local residents to have more control over their homes through the option to either directly purchase or approve an affordable housing nonprofit organization to purchase their building, when a landlord decides to sell. It's a win for both landlord and tenant," said Tracy Parent of the San Francisco Community Land Trust.

“This is another way of stabilizing small apartment buildings that often are most vulnerable to speculation and staving off the displacement of the resident workforce in our City’s front-line neighborhoods,” said Fernando Martí of the Council of Community Housing Organizations (CCHO). “CCHO identified this as a housing policy priority for 2014 and we are pleased that Supervisor Chiu has acted to move this idea forward so quickly. We look forward to working with the full Board of Supervisors and the Mayor to craft the legislation.”

Supervisor Chiu’s proposal would further creative affordable housing models like limited-equity cooperatives to protect tenants from displacement and preserve the existing housing stock.

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