Earthquake Safety Loan Bonds

A

PROPOSITION A

EARTHQUAKE LOAN BOND PROGRAM, 1992. To incur a bonded indebtedness of $350,000,000 to provide loans for the seismic strengthening of unreinforced masonry buildings devoted to affordable housing and to market-rate residential, commercial and institutional uses and to pay necessary administrative costs incidental thereto.

YES ➡
NO ➡

Analysis

by Ballot Simplification Committee

THE WAY IT IS NOW: There are about 2,000 privately owned unreinforced masonry buildings ("UMBs") in San Francisco. These buildings, many of which are brick, were not designed to withstand strong earthquakes. Their walls could collapse, injuring or killing persons inside and on the street. About 27,000 people, many of them low income, and more than 4,500 businesses occupy such buildings. It is part of the City's Master Plan to preserve these buildings while making them safer in earthquakes.

The City recently passed a law requiring owners of most UMBs to make their buildings safer in earthquakes. This requirement, however, will not go into effect unless voters adopt a bond measure providing loans to UMB owners for this earthquake work.

THE PROPOSAL: Proposition A would allow the City to borrow $350 million by issuing general obligation bonds. $150 million of this would be used to provide loans for strengthening affordable housing UMBs that are occupied mostly by low income tenants. It is planned that limits would be placed on rents in buildings receiving these loans. Owners would be charged 1/3 the interest rate paid by the City for the bonds. In addition, up to $60 million of this $150 million could be used for loans where repayment would not have to begin immediately.

The remaining $200 million of the bond money would be used to provide loans for other UMBs. Owners would be charged 1% above the interest rate paid by the City for the bonds. The money received by the City as the loans are paid off would be used to help repay the bonds.

A "YES" VOTE MEANS: If you vote yes, you want the City to issue $350 million in general obligation bonds to provide loans to strengthen unreinforced masonry buildings.

A "NO" VOTE MEANS: If you vote no, you do not want the City to issue these bonds.

Controller's Statement on "A"

City Controller Edward Harrington has issued the following statement on the fiscal impact of Proposition A:

In my opinion, if the proposed bond issue is approved and the bonds are sold over a ten year period at $35 million per year as proposed, the effect on a home with a constant assessed value of $250,000 would be approximately $10 in the first year and could rise to as much as $55 per year by the year 2003, declining thereafter. This is equivalent to a property tax rate increase of from four-tenths of one cent ($.004) per hundred dollars assessed value to two and two-tenths cents ($.022) in the peak year.

This calculation is based on the following assumptions: that $150 million is loaned at the below-market rate of 3% and $200 million is loaned at 10%, that there will be a loan payment deferred or default rate of 20%, that administrative costs will be as much as $1,250,000 per year to sell the bonds and administer the loan program, that about two-thirds of the bonds will be repaid by borrowers and that each bond issue will be for a 20 year period.

How Supervisors Voted on "A"

On July 13, 1992 the Board of Supervisors voted 8-0 to place Proposition A on the ballot.

The Supervisors voted as follows:

YES: Supervisors Britt, Conroy, Gonzalez, Hallinan, Hsieh, Kennedy, Maher, and Shelley

NO: None of the Supervisors present voted no.

ABSENT: Achtenberg, Alioto and Migden.

ARGUMENTS FOR AND AGAINST THIS MEASURE IMMEDIATELY FOLLOW THIS PAGE.
THE FULL TEXT OF BOND MEASURES A, B & C BEGINS ON PAGE 62.