To: San Francisco Planning; San Francisco Mayor's Office of Housing and Community Development
From: Enterprise Community Partners

Date: April 18, 2025

Re: Memo 1 – Best Practices for Affordable Housing Pipeline Strategy

Executive Summary

San Francisco (the City) is tasked with permitting over 30,000 homes affordable at lower incomes as part of the 2022 Housing Element and its Regional Housing Needs Allocation. Such a significant undertaking requires the city to develop an affordable housing pipeline strategy that can help make progress on this goal in a strategic, consistent, and sustainable manner.

An affordable housing pipeline strategy has two critical components – 1) assembling funding to build the existing pipeline of projects and 2) land acquisition and management to, over time, grow the pipeline of projects.

Process & Funding Predictability.
A well-managed affordable housing project pipeline provides process and funding predictability for developers, which helps in planning their own workflow. This includes being able to properly evaluate the timing and appropriateness of site acquisition opportunities, knowing that they'll be able to move the project forward within a certain amount of time and having funding at scale to move projects in the pipeline on to their next phase of development.

Streamlined funding processes, as opposed to applying separately to different local and/or state programs, lead to shorter development timelines because developments are not lingering in the queue waiting for different funding streams. The time savings also leads to lower development costs, since it helps avoid cost escalations due to inflation, additional transaction costs, and extended property holding and maintenance costs.

Balance Between Affordable Housing Production and Site Acquisition
A predictable pipeline strategy ensures a steady flow of development by being able to balance ongoing funding for new construction projects while also securing strategic site acquisitions for future additional affordable housing development.

The city's project pipeline relies, in significant part, on local subsidies in order to leverage competitive state and federal funding. Limited availability of funding from all levels of government lengthens the timeframe for building affordable housing. Land acquisition and management involves securing sites where affordable housing can eventually be built as funding becomes available and stewarding these sites through the development process. Embarking on these two components simultaneously must be approached strategically given the limited availability of funding. San Francisco must navigate tradeoffs and find a balance that weighs its capacity, the dynamic market context, and various goals and priorities. Ideally, improvements to these strategies could lead to shorter development timelines and lower development costs.

This memo describes a series of considerations and strategies to achieve these outcomes and create an efficient and productive affordable housing pipeline strategy. The following provides a high-level summary of the considerations and recommendations the city should consider to shape policies that support affordable housing development:

A. Funding to Move the Project Pipeline

1. Continue and Improve Internal Coordination and Resource Alignment: Due to the importance of securing local funding to develop affordable housing in California, and the limited and variable funds available, it is critical that the City implements a local financing strategy that maintains a steady flow of funds for both site acquisition/predevelopment and construction projects, which are generally made in sequence. A strategic and intentional pipeline will maintain a steady flow of resources and of projects throughout the development stages. To achieve this, San Francisco should consider releasing one NOFA for all local development funding, which would streamline the funding process and allow for more predictability and strategic investment. While MOHCD currently strives to group like-type procurements (NOFAs, for example), the practice where the land is publicly controlled is to seek developers on a parcel by parcel basis.
2. Continue and Explore Additional Means to Increase Local Funding: The City should make efforts to increase local capital, operating and housing services subsidies. This could take the form of greater dedicated sources, increased general fund set-asides, and/or increasing property taxes. San Francisco, which is the state's only combined City and County, has historically used a significant amount of General Funds to support affordable housing, and this effort needs to be continued.
3. Continue Coordination and Alignment with State and Federal Funding Sources: The city should advocate for continued coordination and simplification of applications for state funding sources, including promoting a single State application strategy. Additionally, the city should continue to advocate for statewide changes including Prop 13 reform and increased state funding, and federal changes including LIHTC reform.

B. Land Acquisition and Management

1. Land Acquisition:
    a. By continuing to implement a targeted site acquisition program, San Francisco can work towards its goal of affirmatively furthering fair housing by prioritizing affordable housing development in high resource areas. This selection criteria should continue to be co-developed with industry and community partners and align with LIHTC scoring.
    b. The city should consider modifying its COPA Policy by extending it to commercial properties, both vacant and with low intensity uses if they will be developed as affordable housing.
    c. San Francisco should regularly fund site acquisitions in coordination with funding to build the existing affordable housing pipeline, for example through a set aside of an existing permanent funding source or utilization of future housing bonds.
2. Holding Land and Holding Costs:
    a. San Francisco should continue to consider holding costs as a factor in its land acquisition and pipeline strategy given the scarce funding environment. Continuing to streamline and improve conditional use permits for temporary uses would allow developers to earn income

on properties pre-development which could help offset holding costs. This has been done for parking and could be expanded to other temporary uses.
    b. The city should continue to manage land for affordable housing development by bringing on developers with experience to handle acquisition and management.
3. Putting Public Land to Work for Affordable Housing:
    a. Summarize the public land disposition processes for each separately chartered city-affiliated entities and work to amend relevant agency charters as much as possible to facilitate development of affordable housing
    b. San Francisco should continue the transfer of underutilized City-owned public lands to affordable housing use. The city can also continue to work with separately charted local agencies (The Port of San Francisco, the San Francisco Public Utilities Commission, for example) to encourage the prioritization of affordable housing as a desired future use for their surplus lands.
    c. The City should standardize the citywide capital planning process so that every capital project is evaluated for potential joint development of affordable housing. This will ensure that the city is maximizing its use of publicly-owned land.
    d. San Francisco can continue to advocate that transit agencies – and other enterprise agencies, such as the Port, SFPUC, for example - operating in the city utilize their surplus land for affordable housing.

The report also includes an appendix on Land Banking Models to provide further details on case studies in New York and Los Angeles.

Methodology

Enterprise conducted a literature review of best practices and policy recommendations, and examples from existing programs and resources. Enterprise also conducted interviews with affordable housing developers, faith-based consultants, select city staff, and subject-matter experts who shared their experience and expertise on these issue areas. The memo references these interviews throughout, including through case studies.

A. Funding to Move the Project Pipeline

Affordable housing developments enter San Francisco's project pipeline once a site is secured (either through land dedication by a private developer, direct purchase by an affordable housing developer or the City, or the use of public land) or have been awarded local funding through a NOFA from the Mayor's Office of Housing and Community Development (MOHCD). Securing local subsidies trigger the affordable housing developments process, and these subsides come from a multitude of local sources. Each of these funding sources have their own requirements on allowable uses that dictate the activities and phases of development that they may fund. The same is true for the state and federal funding sources that they try to leverage.

Developments that have received local subsidies from San Francisco can leverage these funds to apply for additional state and federal funding for construction. Given the oversubscription of state dollars due to high demand and limited supply, it is not uncommon for developers to apply to multiple funding rounds across multiple programs.[1] Because of aforementioned differences in requirements for each funding source, this can mean needing to make tweaks to the development proposal along the way, adding costs and taking additional time. Once these state subsidies are secured, developers can then apply for the Low-Income Housing Tax Credit (LIHTC), which has also been oversubscribed, and in recent years has required multiple rounds of applications before securing an award (2025 changes in Federal law may make LIHTC somewhat more consistently available).

Local funding for affordable housing is extremely critical since it is a prerequisite for being able to leverage private, state, and federal resources to start construction. It also supports site acquisition for future affordable housing developments and predevelopment funding that enables developers to do the community engagement, design, entitlements, permitting, and other preparatory work to make a project shovel-ready pending the complete construction funding.

The ability for cities in California to raise local revenue is severely limited by Prop 13, which limits increases in the assessed value of all properties to no more than 2% per year, regardless of actual changes in property value, until a sale of a property triggers a reassessment. Prop 13 also sets a base property tax rate at 1% of assessed value, plus bonded indebtedness and direct assessments, and requires a voter approval threshold of a two-thirds supermajority to raise special property taxes, or taxes intended for a specific use such as affordable housing. These constraints have significantly reduced local tax revenue and the ability of cities to generate additional revenue, severely limiting the level of investments towards infrastructure and public services such as affordable housing. Due to this, general obligation bonds have played an increasingly significant role in helping raise local revenue for affordable housing and other public services.

Existing Sources

Local subsidies in San Francisco primarily come from the following sources:

- Local General Fund. Funding from the general fund are annual allocations that must be approved by the San Francisco Board of Supervisors as part of the city's budget process. Since general fund revenues are unrestricted and not tied to specific uses or purposes, these dollars are the most flexible source of local funding for affordable housing.

- Housing Trust Fund. San Francisco's Housing Trust Fund, established through the passage of Prop C in 2012, receives an annual allocation from the city's general fund for the purpose of funding affordable housing development. This dedicated some of the revenue from the former redevelopment tax increment financing from property taxes that was returned to the city's general fund after the dissolution of redevelopment agencies in California.

- General Obligation (GO) Bonds and Certificates of Participation (COPs). General obligation bonds are approved by voters and are supported by property tax revenue to support the bond's debt service. It is San Francisco's policy to maintain stable property tax rates as new bonds are issued. To accomplish this, total bond debt is kept under a certain level so new bonds are issued when old bonds are paid off or as increasing property values increase the amount of debt the city can support, allowing the city to keep tax rates steady. Revenue from GO bonds are restricted to capital uses only. San Francisco voters recently passed Prop A in March 2024, a new $300 million

[1] Elizabeth Kneebone and Carolina Reid, "The Complexity of Financing Low-Income Housing Tax Credit Housing" (Terner Center for Housing Innovation, April 26, 2021), https://ternercenter.berkeley.edu/research-and-policy/lihtc-complexity/.

affordable housing bond measure for the construction, development, acquisition, and/or rehabilitation of permanently affordable housing. Certificates of Participation (COPs) are a form of City-issued bond that is repaid with Housing Trust Fund dollars, allowing the city to borrow today against future revenue.

- Impact Fees. San Francisco generates revenue from various fees that are then dedicated towards affordable housing development. These include the Inclusionary Housing Fee and the Jobs Housing Linkage Fee, among others. Revenue from these fees is dependent on economic and development activity that fluctuate cyclically based on broader economic conditions, including higher development costs that emerged since 2018, the drop in demand for multifamily housing during the pandemic, higher inflation in 2022, and higher interest rates since 2023. In 2023 fees were reduced across the board temporarily (through 2026) via legislation in an effort to reduce impediments to private housing development, with the hope of improving feasibility to deliver housing, including inclusionary Below Market Rate (BMR) units, sooner. San Francisco allocates 10 percent of impact fees to rehabilitation/preservation.

- Locally Administered Federal Sources. As an entitlement jurisdiction, San Francisco directly receives funding from several federal programs that it administers locally. These sources include the Community Development Block Grant (CDBG), the HOME Investments Partnerships Program (HOME), and Housing Opportunities for People Living with AIDS (HOPWA). HOME funds are the main locally administered federal source for new affordable housing development and these funds are limited and have made up a small portion of local affordable housing funding.

Sources that are highly dependent on economic and real estate activity, such as general fund revenues, impact fees, and the Housing Trust Fund, are highly volatile and can fluctuate in scale depending on the economic cycle. This volatility affects San Francisco's ability to move projects forward in the pipeline due to the unpredictability of funding. An economic slowdown or an outright downturn could decrease funding for affordable housing, putting projects on hold and extending their development timeline.

Further, most of San Francisco's affordable housing stock serves Very Low, Extremely Low and Acutely Low Income households who require an operating subsidy. Availability of operating subsidies – local, state, and/or federal – is a critical funding source and component of pipeline management. Further, continued local action to advocate for access to federal and state provided building operating subsidies is a critical strategy to support pipeline development.

Pipeline Scale and Funding Availability

Given the integral role of local subsidy in funding affordable housing, the scale of cities' affordable housing pipelines is commensurate with its available local funding, and San Francisco is no exception. The availability of local funding determines how many sites for affordable housing can be acquired. It determines how many projects are able to do predevelopment work to prepare and be shovel ready. It also determines how many projects receive sufficient local gap subsidy so they can start applying to state and federal sources to begin construction. The scarcity of local funding can create a zero-sum game between site acquisition, predevelopment, and construction. What is being spent on site acquisition is less resources that is being spent on construction, and vice versa. San Francisco must find a balanced strategy that ensures a steady flow of development by being able to balance ongoing funding for new construction projects while also securing strategic site acquisitions for future additional affordable housing development.

Project Pipeline Management Best Practices and Recommendations

The purpose of a well-managed project pipeline is to coordinate resources to move as many affordable housing developments from predevelopment to construction as quickly as possible. Below are some affordable housing pipeline best practices and recommendations for San Francisco to consider.

1. <u>Internal Coordination and Resource Alignment</u>

Cities have diverse but limited funding sources for affordable housing, each with varying award amounts, eligible uses, and timelines. Depending on the scale of revenue or funding, affordable housing developments likely require a combination of subsidies since one funding source or program is not designed to cover full project costs. Coordinating how these different resources are deployed for their highest and best use and streamlining how developers can apply for them is critical. San Francisco, for example, has more than 25 separate local funding sources at any given time. Since each source was authorized separately, it is necessary to strategically combine sources. Until 2020, MOHCD organized a managed pipeline only for its small allocation of 9% tax credits that fund one to two projects per year. Since significant changes were made to the allocation of 4% tax credits/tax exempt bonds in 2020-2022, MOHCD has made a concerted effort to manage its pipeline with respect to access to 4% tax credits and HCD soft loans. MOHCD strategically makes its initial investments in acquisition and/or predevelopment. Once there has been an initial procurement, the total project investment (for capital, operating and services) is negotiated as the project scope is refined.

Example: Los Angeles
The City of Los Angeles (LA) established its Affordable Housing Pipeline Management Program (AHPM) in 2003 to streamline and align different locally administered funding sources under one program and process. [2] Depending on funding availability, AHPM typically releases a Notice of Funding Availability (NOFA) once a year. Developers seeking local funding for their projects must apply to this NOFA, where city staff match and assemble funding from different sources that best fits the project description. Issued awards are typically valid from three to five years, during which the project must secure its remaining funding gap from state and federal sources. Failure to secure the necessary funding within this timeframe can result in the project being removed from the city's pipeline. AHPM's evaluation criteria is aligned with county funding sources, as well as the California Tax Credit Allocation Committee's (TCAC) guidelines. This ensures that developments accepted into the City of LA's pipeline are competitive for other funding programs. While this coordination is crucial, the lack of available local subsidies has paused the release of a NOFA over the past two years, which highlights the persistent role of funding in reaping benefits of program streamlining.

Recommendation: San Francisco could explore implementing a centralized NOFA for all locally administered subsidy funding, similar to the City of LA's Affordable Housing Pipeline Management Program. While this primarily pertains to funds managed by the Mayor's Office of Housing and Community Development, this could also include operating subsidy sources managed by other agencies such as the Department of Homelessness and Supportive Housing and the Department of Public Health. Depending on funding availability, this NOFA could be opened on a regular basis once a year to create predictability for affordable housing developers. Ideally, vouchers managed by the San Francisco Housing Authority (SFHA) would be included in this effort. However, SFHA is a separately chartered agency and improvements to inter-agency collaboration is required. Improvements to this

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[2] "Affordable Housing Managed Pipeline – LAHD," Los Angeles Housing Department, accessed December 19, 2024, https://housing2.lacity.org/partners/affordable-housing-managed-pipeline.

collaboration would also better enable the City to leverage SFHA's Faircloth Authority, which would help in the development of additional affordable housing with HUD support.

Additional details for how San Francisco can improve internal coordination are outlined in the city's Affordable Housing Funding and Financing Recommendations Report.[3]

2. Increased Funding

Funding availability is critical to moving an affordable housing pipeline forward and ensuring a steady flow of projects. Limited funding at the local, state, or the federal level would serve as barriers to the flow of the pipeline and create bottlenecks in the process. Limited resources at any of these levels could stall an affordable housing development, although a lack of local subsidies would have greater impact since they are a prerequisite for projects to even apply and leverage any state and federal funding.
As the City's Affordable Housing Funding and Financing Recommendations Report outlines San Francisco has been working on developing additional local sources of funding for affordable housing since the dissolution of Redevelopment Agencies, which generated most local funding until 2012. Voters approved the creation of the Housing Trust Fund in 2012, which dedicated a portion of property tax revenue going to the general fund towards affordable housing. Voters also approved local affordable housing bond measures in 2015, 2019, and 2024, which rely on property tax revenue. In 2018, voters approved Proposition C, which imposed a gross receipts tax on large companies to fund homelessness and supportive housing. In 2020, voters approved to increase the city's real estate transfer tax on properties valued above $10 million. Lastly, in 2022, voters approved a tax on vacant multifamily housing units.

The City has maintained its property taxes to 2006 levels, capping general obligation bond debt. This has helped pass the last several general obligation bonds in the city, since they did not raise property taxes for residents. However, this limits the amount of funding that San Francisco can raise for affordable housing through general obligation bonds. This cap is a significant consideration given San Francisco's current projected budget deficit of about $700 million.

Recommendation: San Francisco should explore avenues to increase local investments in affordable housing through additional or expanded dedicated sources or larger set-asides from the general fund. The city could also consider increasing its property tax rate to be able to issue larger general obligations bonds.

Furthermore, San Francisco should work with state partners to advocate for Prop 13 reform, such as split-roll reform to require commercial and industrial properties, except those zoned as commercial agriculture, to be taxed based on their market value, rather than their purchase price. By splitting how the property tax roll is assessed between residential and commercial or industrial properties, localities would have the ability to raise additional property tax revenue without putting the tax burden on residential owners. A 2018 analysis by the San Francisco Foundation found that split-roll could generate an average estimate of $835 million in new revenue for San Francisco.

At the state level, San Francisco should continue to advocate for increased affordable housing investments through a state housing bond in the short-term and for a statewide dedicated source of

[3] "Affordable Housing Funding and Financing Recommendations Report" (San Francisco Mayor's Office of Housing and Community Development, February 2024), https://sfplanning.org/sites/default/files/documents/citywide/ahlc-ahff-report.pdf.

funding in the long-term. At the federal level San Francisco should continue to advocate for LIHTC reform, such as extending the 12.5% increase to the 9% Credit and lowering the 50% Private Activity Bond threshold test to 30% which would expand the availability of 4% tax credits. This reform could increase the number of projects using bonds and 4% tax credits by 67%. Since the initial writing of this memo, a version of reforms to LIHTC and private activity bonds to expand Tax Credit availability was passed into law.

Additional details for how San Francisco can generate and advocate for additional revenue are outlined in the city's Affordable Housing Funding and Financing Recommendations Report.[4]

3. Coordination and Alignment with State and Federal Funding Sources

Given that local subsidies are used to leverage state and federal funding, coordination and alignment within the entire housing finance system is critical to keeping projects moving through the pipeline into construction. This includes ensuring that developments have the adequate state resources they need to be able to move to the next phase of funding, which is working to secure a LIHTC award. San Francisco currently manages its pipeline for 9% LIHTC awards and also acts as the bond issuer for 4% tax credit deals, so it is deeply involved in queuing up projects for the funding competitions.

Example: Seattle
In Seattle, local and state subsidies are typically awarded together due to the close coordination between the local and state funding agencies. Washington has developed the Combined Funders Application, which is accepted by, but not limited to, the following funding agencies:

- City of Seattle Office of Housing
- King County Housing Finance Program
- Washington State Housing Trust Fund
- Washington State Housing Finance Commission for Low Income Housing Tax Credits

This common application creates a streamlined and well-coordinated housing finance system that helps shorten development timelines and reduce transaction costs. The Seattle Office of Housing also meets with other public funders every two weeks to discuss their pipeline and coordinate awards, ensuring that projects are able to move forward. Otherwise, there remains a risk that one agency funds the project and the others do not, stalling the project and extending the development timeline. It is important to note that Seattle is the largest city in Washington and a significant portion of the state's population lives within its metro area. California has multiple large cities alongside smaller jurisdictions that are all vying for resources. Therefore, standardization may be significantly more challenging in the state given the sheer difference in size and scale.

Similarly, New York City receives significant direct allocations of state housing resources due to its significant size in relation to the rest of New York. Los Angeles, California's largest city, receives proportionate state resources directly, which eases collaboration. San Francisco, on the other hand, is only the fourth largest city in California and receives no significant or proportional direct state allocations compared to Seattle, New York, and Los Angeles.

San Francisco, which is a regional job center, out-performs the Bay Area region in competitions for State resources, but it would be simpler if the jurisdiction itself had its own set-aside that reflected historic

[4] "Affordable Housing Funding and Financing Recommendations Report."

patterns of program usage, similar to how New York City has direct access to State program resources that lend themselves to deeper collaboration.

Recommendation: San Francisco should continue to advocate for continued state housing finance system reform to improve coordination between state funding agencies, similar to the Washington example. Central to this is the creation of a single application process for all state subsidy programs across departments so funds could be awarded under a single streamlined process. The California Department of Housing and Community Development's implementation of the Super NOFA for all HCD-administered programs is a significant step, but this excludes application for key programs including the Low-Income Housing Tax Credit and the Affordable Housing and Sustainable Communities (AHSC) program.

Additional details for how California's affordable housing finance system could be improved are outlined in the city's Affordable Housing Funding and Financing Recommendations Report.[5]

A well-managed pipeline should include multiple strategies that help meet the needs of the city. Identifying different ways the city can secure future sites for affordable housing would help expand the pipeline. These strategies are explored further in the next section.

B. Land Acquisition and Management

The limited available public funding sources and their differing allowable uses means that San Francisco must balance the continued production of affordable housing while securing additional sites for future development through new site acquisitions and "land banking." Site acquisition is the process of acquiring a specific parcel or property for the purpose of re-/development, which is an integral step in the land banking process. Land banking is a strategy of managing multiple acquired parcels and holding them until they are ready to be developed. In the San Francisco context, site acquisition for affordable housing could be done through direct purchase from the market, land dedication from a market rate developer seeking to satisfy requirements for inclusionary housing, and transfer of land to the city where the City has made a commitment of development funds. Land management must be practiced while the property waits for financing commitments and building permits. San Francisco's substantial affordable housing pipeline with several sites waiting to be developed is de facto a land bank. These processes are explored further in this section.

Land Banking

Over the years, land banks and land banking programs have evolved to respond to needs within a specific community. According to the Center for Community Progress (Center) report on land banks and land banking, "Land banking is the process or policy by which local governments acquire surplus properties and convert them to productive use or hold them for long-term strategic public purposes. Land banks are governmental entities that specialize in land banking activities." Traditionally, land banks often obtain properties that are either vacant, abandoned, tax delinquent, or dilapidated, and underutilized that might be suited for development. This strategy and model are usually implemented in

[5] "Affordable Housing Funding and Financing Recommendations Report."

specific disinvested communities or economically depressed cities. Land banks also have a unique opportunity to get involved in assessment, remediation, and redevelopment of brownfields.[6]

Understanding various aspects such as political will, financing, legal structures, internal capacity and how departments can work together (or separately) are also key parts of any land banking activity. The Center also notes that staffing needs can vary depending on the size of the inventory of properties the land bank could acquire. Typical governance structures for "separately incorporated" land banks include a board of directors who represent different interests (government body, school board, community organization, residents, etc.). Land banking activities would require significant investment and coordination among the governing entity, developers, advocates, and community members. Therefore, it would be strategic to align land banking activities with additional funding sources.

The historic market context for land banking and the types of properties jurisdictions traditionally acquire through such programs generally do not fit the profile or context of San Francisco. San Francisco has a limited inventory of blighted, tax delinquent, and vacant properties. The city also has high housing costs, high property values, and significant economic activity that make it more expensive to acquire land compared to cities that have historically implemented land banking programs. Therefore, the traditional model of land banking is incompatible in the San Francisco context.

In essence, however, San Francisco already has an ad hoc land banking program through its existing affordable housing pipeline, with guidelines already codified in the zoning code and in the funding authorizations. San Francisco's current affordable housing pipeline includes land they've acquired through various means and are holding due to lack of funding that will aid in construction of additional units.

The use of public land for affordable housing in cities with limited vacant, tax delinquent, or blighted sites can still play an important role in maintaining a steady pipeline. The following section highlights examples from high-cost cities that have incorporated development of public land as an affordable housing strategy.

Public Land

Publicly owned land in San Francisco serves as an ad-hoc land bank that holds great potential for affordable housing development. These lands, either owned by the city, state, or federal government, are located throughout the city with various vacancies and existing uses. Depending on the owner, using public land for affordable housing can sometimes reduce or eliminate the need to allocate separate funding for acquisition that could otherwise be used as local subsidy for pre-development and construction costs. A significant share of affordable housing in San Francisco is already built on city-owned land, either identified as surplus, underutilized land, or deeded to the city through land dedication. The city ground leases it to developers at a significantly low cost that supports the financial feasibility of these projects. The city has also taken advantage of the Governor's state surplus land program and the federal government Title V surplus land program, both of which prioritize future land use for affordable housing.

[6] "Brownfield Remediation & Reuse," Progress Points (Center for Community Progress, n.d.), https://communityprogress.org/wp-content/uploads/2024/08/2024-08-progress-point-brownfields-remediation-reuse.pdf.

San Francisco has the Surplus Public Lands Ordinance passed in 2002 and amended in 2015 by Measure K, which prioritizes surplus and underutilized city-owned public land in San Francisco for affordable housing. [7] It requires all city departments and agencies to provide a list of properties that it occupies or controls to the City Administrator for review to identify any surplus or underutilized properties. The City Administrator then drafts an annual Surplus Property Report that includes a list of surplus properties across the city, including information about each site that may be relevant to the development of affordable housing. MOHCD evaluates the feasibility of each of these sites for affordable housing development, Surplus properties that are deemed feasible are then transferred to MOHCD, which would then issue RFQs to developers. Properties not transferred to MOHCD, but sold for the development of 10 or more units must meet an affordability requirement of at least 33%.

San Francisco's education districts, the San Francisco Unified School District and the San Francisco Community College District, and enterprise departments, such as the San Francisco Public Utilities Commission, the Port of San Francisco, San Francisco Metropolitan Transportation Agency, and the Recreation and Parks Commission, have their own charters and are not beholden to the Surplus Public Lands Ordinance. Their participation in the city's annual Surplus Property Report, while recommended and encouraged, is not mandated. While enterprise departments and education districts sometimes transfer feasible surplus sites to MOHCD, there may be provisions in their charters that prioritize use of sites for department purposes or disposition policies that prioritize a department benefit.

State law also incentivizes cities to use publicly owned land for affordable housing through the Surplus Land Act (SLA) - 2019, which makes local public land no longer needed for government purposes available for affordable housing.[8] It provides a right of first refusal for affordable housing developers to any identified surplus land under the Act. If multiple developers bid, the SLA requires that jurisdictions choose the developer providing the deepest affordability. However, it is worth noting that jurisdictions are not required to sell public land for less than the fair market value. While it is common for jurisdictions to sell the land at below market prices to better facilitate affordable housing development, some cities or public agencies may, for either practical or legal reasons, sell at the fair market value.

The State of California also directly manages the State Excess Sites program that selects development partners based on their affordable housing proposals. Because the land is owned by the State any necessary CEQA review or approvals are managed by them directly. The State's requirements regarding affordability are generally less restrictive than those maintained by MOHCD. Success of the program relies on regular collaboration between the State and cities to consider local jurisdictional needs and practices regarding building permits as well as any locally available financial resources.

At the federal level, Title V of the McKinney-Vento Homelessness Assistance Act allows eligible organizations to use underutilized or surplus federal land or properties to serve people experiencing homelessness.[9] In 2017, the City leveraged Title V to acquire surplus federal land adjacent to the Ninth

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[7] "CHAPTER 23A: SURPLUS PUBLIC LANDS ORDINANCE," San Francisco Administrative Code, accessed December 2024, https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-60550
[8] "Public Lands for Affordable Housing Development," California Department of Housing and Community Development, accessed December 19, 2024, https://www.hcd.ca.gov/planning-and-community-development/public-lands-affordable-housing-development.
[9] "Title V – Federal Surplus Property for Use to Assist the Homeless," Department of Housing and Urban Development Accessed December 2024. https://www.hudexchange.info/programs/title-v/

Circuit Court House for $1. [10] The site has since been developed into a 256-unit permanent supportive housing development known as 1064 Mission. The other high-cost cities with managed affordable housing pipelines examined in this memo, Los Angeles, New York, and Seattle, rely heavily on using their public land for affordable housing. These cities have policies in place that prioritize 100% affordable housing on these sites to the extent possible. There is a diversity of approaches on how public land is managed, however, site activation or interim uses are not common practices in these cities. For example, New York typically fences off a site until it is ready for development, minimizing any costs for security and other temporary uses.

Program Examples from High-Cost Cities

Among high-cost cities with managed affordable housing pipelines, Seattle is most like San Francisco in terms of population size, topography, and land context. Seattle has relatively fewer vacant or underutilized parcels than Los Angeles and has a more modest stock of publicly owned land than New York. New York City shares very similar challenges related to land availability and high housing costs as San Francisco. However, New York City lends itself to having many publicly owned sites, primarily due to its history of neighborhood blight with abandoned or delinquent properties, especially from the 1970's and 80's. The program examples below examine how each city has leveraged public land for affordable housing to make progress towards their goals.

Surplus Public Transit Land for Affordable Housing

Sound Transit, the public transit agency for the Seattle metropolitan area, has a state mandated affordable housing policy for agency-owned surplus land. This equitable transit-oriented development policy, called the 80-80-80 policy, requires that:

- 80 percent of developable surplus land, at minimum, is offered to affordable housing developers at no cost, for sale at below market prices, or for a long-term ground lease
- 80 percent of units, at minimum, are affordable for low-income households
- 80 percent of the area median income (AMI) is the maximum income level for affordable units

The massive expansion of Seattle's light rail system meant that Sound Transit had to purchase a significant amount of land for construction. Once construction is over, a majority of the acquired surplus land will then be redeveloped into affordable housing. In essence, the 80-80-80 policy turns the site acquisition for public transit into a land bank for affordable housing. [11]

New York City Public Land

New York City regularly examines its inventory of publicly owned land across agencies and identifies parcels that are suitable for 100 percent affordable housing development. The city then transfers the disposition rights of that property to the Department of Housing, Preservation and Development (HPD), who then puts out a request for proposals to affordable housing developers to build the affordable

[10] "1064 Mission Street Untangles Layers of Complexity to Bring Largest Permanent Supportive Housing Site to San Francisco," NOVOGRADAC, New Markets Tax Credit Resource Center, accessed December 2024, https://www.novoco.com/periodicals/articles/1064-mission-street-untangles-layers-complexity
[11] "Board adopts policy promoting equitable development near transit stations and facilities," Sound Transit Accessed December 2024: https://www.soundtransit.org/get-to-know-us/news-events/news-releases/board-adopts-policy-promoting-equitable-development-near

housing. Given their capacity and priorities, the city does not have a policy on interim uses and site activation, and these parcels are typically fenced off until construction.

Furthermore, public land is typically upzoned and identified for affordable housing as part of each neighborhood's broader rezoning and planning effort. Community engagement is primarily oriented around what the community would like to see in the potential affordable housing development on the earmarked public land, such as set-asides for specific populations, affordability levels, amenities, etc. This is typically seen as an integral part of the equitable development component of rezoning and neighborhood planning in addition to New York City's various inclusionary housing programs.

Given the active disposition of public land for affordable housing, this inventory is dwindling across the city. This has led NYC to look at public land with existing structures/uses in certain neighborhoods to redevelop them into affordable housing. For example, the city has identified several public libraries for redevelopment, with one pilot already underway. The idea is that the public library will be rebuilt on the ground floor of the newly built affordable housing development.

Through its own collaborations with other City departments, MOHCD and its affiliated housing agencies have creatively taken a similar approach where the sites are large enough and real estate needs align. For example, in Mission Bay a new library was built below affordable senior housing. In SOMA, a health clinic serving homeless clients shares a lot with a residential building. In both cases, the execution of the multi-use structures was more complex than those destined for 100% residential use, but each community benefitted from a publicly serving use.

Land Acquisition

Direct Site Acquisition

San Francisco already funds site acquisitions for affordable housing development, dependent on the availability of funding that includes this as an allowable use. In 2023, the Mayor's Office of Housing and Community Development awarded $66.5 million for site acquisition and predevelopment across five new affordable housing developments.[12] This recent NOFA was funded primarily by dollars from a $40M Certificates of Preference (COP) bond issuance, as well as other sources. The city has also directly acquired sites in the previous decade, such as 1515 South Van Ness, 730 Stanyan, and 1939 Market. The city then released Requests for Qualifications (RFQs) in order to select developers for the construction of permanently affordable housing on these sites. However, direct city acquisitions like these are limited and typically rely on the alignment of an acquisition opportunity, the scale of available funding, and the need to spend down available funds under a certain timeframe, such as Community Development Block Grant dollars.

Affordable housing developers might acquire sites on their own using other means of financing, typically through a local or state acquisition fund that does not involve local government funds or actions. In San Francisco, the Housing Accelerator Fund (HAF) provides loans to developers to acquire vacant or

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[12] "2022-2023 Annual Progress Report" (San Francisco Mayor's Office of Housing and Community Development, n.d.), https://www.sf.gov/sites/default/files/2024-05/MOHCD%20Annual%20Progress%20Report%20FY2022-23.pdf.

underutilized sites for the construction of new affordable housing. [13] HAF is a revolving loan fund that received seed funding from the City of San Francisco and additional funding from philanthropy and financial institutions. The capital that HAF can quickly deploy is conducive for purchasing sites from the private market, which acts on a much quicker timeline than public funds. The state's Golden State Acquisition Fund (GSAF) also provides flexible capital for the acquisition of vacant land or existing properties for affordable housing development.[14] However, HAF will not make a loan without local funding commitments from the city to repay the interest-bearing acquisition loan. Developers would be hesitant to acquire sites if they do not know when they can secure funding and get reimbursed for the cost of acquisition. Therefore, private site acquisitions are heavily tied to the availability of local subsidy dollars.

It is important to note that the city generally prefers to own the land under 100% affordable developments to guarantee affordability over the long term. While HAF may provide interim financing for initial purchase and holding it's rare for the City to not ultimately gain ownership of the site from the nonprofit developer.

Land Dedication

San Francisco also acquires sites through land dedication for inclusionary housing requirements in certain zoning districts, under certain development agreements, and as part of the Jobs-Housing Linkage Program. Large-scale commercial developments that generate a significant number of jobs, such as hotels, offices, laboratories, and retail, are subject to the Jobs-Housing Linkage Program, Developers may comply with program requirements by paying an in-lieu fee, dedicating land for affordable housing in equal value to the fee, or a combination of both. Developers that pursue the land dedication option must convey the title of the land to MOHCD, which then issues an RFQ to affordable housing developers for the construction of affordable housing. Dedicated sites must meet requirements that make them compatible for affordable housing development. In particular, the site must have development capacity for at least 40 units of affordable housing. Under certain conditions, MOHCD may also accept a site that can produce a minimum of 25 units, but at its own discretion. Furthermore, the land must be contiguous or regularly shaped, and must be suitable for development.

[13] San Francisco Housing Accelerator Fund, accessed December 19, 2024, https://www.sfhaf.org/.
[14] Golden State Aquisition Fund, accessed December 19, 2024, https://www.goldenstate-fund.com/.

Program Examples from High-Cost Cities

The comparison high-cost cities examined in this memo, Los Angeles, Seattle, and New York, do not directly fund site acquisitions. Instead, affordable housing developers in these cities rely on other public or private partners to support direct acquisitions. A common theme of these examples is how integrated these programs are with the respective city's managed affordable housing pipeline, creating a more seamless process in terms of moving projects forward.

Washington State Land Acquisition Program

Some private site acquisition for affordable housing in Seattle uses the Washington State Housing Finance Commission's (WSHFC) Land Acquisition Program (LAP).[15] LAP is a revolving fund with a rolling application based on funding availability. It provides low-cost site acquisition loans with a deferred 1% interest rate and a maximum term of eight years. The generous terms of LAP enable affordable housing developers to purchase opportunity sites that they can eventually redevelop into affordable housing. Loan payments may be deferred for the life of the loan, meaning that developers do not have to manage any interest costs related to the loan. If the project is unable to meet the program timeline, then the project sponsor would be required to repay the loan. Applications are over the counter and considered on a rolling basis subject to funding availability, which allows developers to take advantage of acquisition opportunities as they arise. LAP is not intended to cover 100% of site acquisition costs; leveraging other sources strengthens a loan application. Site suitability for affordable housing is part of LAP's evaluation criteria, which includes "access to transportation, use of existing infrastructure, proximity to necessary services and amenities, and ability to contribute to healthy neighborhood or community development."[16] The loan application requires detailed development and financing plans, which points to the feasibility and likelihood of a project being completed within the eight year loan term. While the favorable terms of LAP are critical to facilitating site acquisitions, it's important to note that these application criteria, along with a managed bond and tax credit project pipeline in King County and close coordination between the public funders makes the process more predictable for applicants and can reduce risk of sites sitting undeveloped.

City of Los Angeles' New Generation Fund

The New Generation Fund is a revolving fund that provides site acquisition, predevelopment and rehabilitation loans to developers within the City of LA. [17] The Fund is a public-private partnership between the City of LA and a consortium of community development financial institutions with the City historically providing additional funding and acting as the guarantor. The Fund has one tranche of funding ($10 million) from the City of LA, which is used as loan loss reserve to support senior debt from commercial lenders. The Fund is closely tied to the City of LA's Affordable Housing Managed Pipeline (AHMP) Program since it is the only way developments can access local funds in the city. Given the lack of available local subsidies, AHMP has not released a Notice of Funding Availability in two years. This has led to a decrease in activity for site acquisitions through the New Generation Fund since developers are uncertain when additional local funding could be available should they acquire a site. This illustrates the critical need for subsidy dollars, its effect on a city's affordable housing pipeline, and its influence on site acquisitions.

[15] "Land Acquisition Program (LAP)," Washington State Housing Finance Commission, accessed December 19, 2024, https://wshfc.org/mhcf/lap/index.htm.
[16] "Land Aquisition Program (LAP) Program Description and Application Guidelines" (Washington State Housing Finance Commission, 2018), https://wshfc.org/mhcf/lap/LAPProgramDescApplication2020.pdf.
[17] New Generation Fund, December 29, 2023, https://www.newgenerationfund.com.

Recommendations for San Francisco

San Francisco must balance the continued production of affordable housing while securing additional sites for future development. The following recommendations explore potential strategies for securing additional sites for affordable housing to maintain a steady pipeline of projects and draws from interviews with local developers, staff in high costs cities, and case studies.

1. Land Acquisition

1a. Targeted Site Acquisition. San Francisco should continue their targeted site acquisition program within its high or high resource areas, as well as continuing to acquire sites in Equity Communities, to support its equity goal of affirmatively furthering fair housing. By utilizing existing resources such as the Housing Element, public land mapping efforts, existing policies etc., the city should continue to align their site acquisition program with long-term housing goals and put greater emphasis on neighborhoods that have a low inventory of publicly owned land that could be developed for affordable housing. As noted before, the acquisition of new sites should be balanced strategically with moving existing projects through construction. Nevertheless, continued intentional efforts on site acquisition would help ensure that future affordable housing development could be more evenly distributed across the city. These targeted acquisitions are best in instances when the city has a funding surplus, setting aside a portion of funds for acquisition.

While the city has been acquiring sites in high and highest resource areas since 2015 and more actively since 2019, the City could consider naming this the geographically targeted strategy for site acquisition in the high and highest resources areas in association with the parallel efforts of the Housing Element Implementation Expanding Housing Choice Rezoning. The 2019 general obligation bond and MOHCD's NOFA for geographic diversity serve as precedents for this.

Since traditional land banks historically have targeted vacant, abandoned, tax-delinquent properties and acquired them through the foreclosure process it will be important for the city to review its existing stock to better understand how many sites fit these criteria (or any other criteria they prioritize) and determine who will own and/or manage land that is acquired. If these types of properties are not prevalent in the city, they can identify other types of properties that could be prioritized for acquisition. The site selection criteria should continue to be aligned with the evaluation criteria for state programs and the Low-Income Housing Tax Credit (LIHTC) to ensure competitiveness for funding. Depending on the vision and targets for site acquisition, this could include:

- Parcels in higher resource areas, especially larger parcels that can yield 100 units with no studios and at least 50% 2-3BR units sized for larger households
- Parcels in high Point-in-Time (PIT) homelessness count neighborhoods, sized for development as permanent supportive housing for small households that can yield 100 units with studios/1-bedrooms and above-minimum required common amenities to accommodate services delivery.
- Proximity to high-quality transit
- Proximity to amenities, such as schools, public parks, libraries, and grocery stores

When developing additional site selection criteria, the city should continue to engage its stakeholder network (community land trusts (CLTs), developers, advocates, community-based organizations, schools, etc.) to solicit feedback on priority areas, metrics, etc. Once criteria are established, stakeholders can also help the city identify sites that are of interest or priority across the city or within specific neighborhoods.

In, parallel the city should continue to, through its procurements, articulate their land acquisition strategies for sites in Priority Equity Geographies and for geographies that are not in high resource areas or Priority Equity Geographies that currently lack significant amounts of subsidized 100% affordable housing developments or sites in the pipeline.

1b. Community Opportunity to Purchase Act (COPA) for Commercial Properties. San Francisco should consider expanding its COPA Policy to include properties not currently zoned as residential, both vacant lots and lots with existing low intensity uses, under the condition that they will eventually be redeveloped into affordable housing. Furthermore, the definition of vacant lots could be expanded to be inclusive of sites with active uses such as a parking lot or an existing unoccupied building. This would provide affordable housing developers an advantage in acquiring these sites , which are strategically primed for more added density given their geographic location on commercial corridors. Furthermore, acquiring properties with existing businesses would generate revenue for developers that could support the costs of holding the property, such as acquisition loan interest payments, insurance and property taxes, for an extended period of time until public funds are available for affordable housing. Tenant businesses could be given a right of return for the ground floor space once the affordable housing development is completed or be offered relocation assistance. Note that commercial entities are eligible for relocation benefits, which must be weighed against the income from use and the purchase price, and this adds complexity and cost to affordable housing development.

A COPA expansion to commercial properties would also complement Assembly Bill 2011 (2023) by Assemblymember Buffy Wicks, which allows for ministerial and by-right approval of affordable housing on land zoned as commercial. This strategy could be paired with the targeted land banking pilot for high or highest resource areas of the city.

1c. Acquisition of Newly Constructed Market Rate Developments. San Francisco could explore the acquisition of newly constructed market rate developments through California's Homekey+ Program or other sources of funding. [18] Homekey+ is a $2 billion state program for the acquisition and conversion of existing motels, hotels, or multifamily buildings into permanently affordable housing or new construction of permanently affordable housing. There have also been instances of market-rate developers selling newly constructed market rate developments due to a slow rental market, with rental revenue coming in below estimates motivating owners to sell. This already has precedent in the city, with San Francisco acquiring newly constructed market rate developments in the past through the first rounds of the original Homekey program using Coronavirus Relief Fund dollars. An example of this is City Gardens, a newly constructed 200-unit market rate building that was purchased by the city through Homekey in 2022.[19]

1.d. Identify a dedicated source of funding. San Francisco should identify a dedicated funding source or sources for affordable housing development and dedicate a portion of ongoing funding for direct site acquisitions or carve out a set-aside from numerous sources to support acquisitions. The city could

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[18] "Homekey+" (California Department of Housing and Community Development, n.d.), https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/homekey/homekey-plus-factsheet.pdf.
[19] "Mayor Breed Announces the Grand Opening of City Gardens, San Francisco's Largest Family Permanent Supportive Housing Project | San Francisco," City and County of San Francisco (blog), November 1, 2023, https://www.sf.gov/news/mayor-breed-announces-grand-opening-city-gardens-san-franciscos-largest-family-permanent.

review its existing permanent funding sources and explore if any of them could include a specific set-aside for site acquisitions. Another approach the city could explore is utilizing future housing bonds or other sources of local funds, such as its general fund to create set-asides for site acquisition. These set-asides could also include guidelines that specify what type of sites (vacant, underutilized, etc.) can be acquired and the desired neighborhoods for these acquisitions for a more targeted approach. The scale of this acquisition funding should be scaled with the city's ability to move its affordable housing pipeline based on funding availability, costs, and the number of existing developments awaiting funding. Even with a permanent source for site acquisition, this still needs to be coordinated with overall funding available to develop the sites already in the pipeline and the number of sites waiting to be built.

2. Holding Land & Holding Costs

2a. Holding Costs as a Factor in Land Acquisition and Pipeline Strategy. San Francisco should continue to consider holding costs as a factor in its land acquisition and pipeline strategy. The scarcity of funding, especially at the state and federal levels, means that it often takes projects several years to assemble all the necessary financing in order to start construction. According to analysis by Century Urban, holding these sites until they are able to break ground incurs an average of $33,500-$453,000, which the City ultimately pays for as part of its local financing. These additional costs should be factored in when acquiring more land and as the City moves the pipeline forward.

Additional recommendations on how to minimize holding costs can be found in Century Urban's analysis memo.

2b. Properties with Revenue Generating Uses. San Francisco should explore how to streamline conditional use permits for temporary uses that could help generate revenue on acquired sites. An example of this is streamlining the permits to temporarily use a vacant parcel as a paid parking lot. Making this process easier would allow developers to generate revenue from these sites that could cover the payments of their acquisition loan, in part or in full, which would allow them to hold the site for much longer until they can move forward within San Francisco's pipeline. San Francisco could also work closely with affordable housing developers and encourage the acquisition of properties with existing commercial uses and businesses that could also generate revenue. Furthermore, since the properties are already occupied with existing businesses, they would be exempt from San Francisco's new vacancy tax. A recent example of this is the acquisition of a Motel 6 at 1234 Great Highway by the Tenderloin Neighborhood Development Corporation with funding from MOHCD through their 2023 Site Acquisition and Predevelopment Funding NOFA.

2c. Land/Property Management. San Francisco should explore avenues to manage existing and newly acquired properties for affordable housing development. One approach the city currently takes is outsourcing the acquisition and management of these sites to affordable housing developers, all of whom already have existing property management departments with significant residential property management experience across San Francisco's neighborhoods. Another possible approach is for the city to further build its own capacity for property management, which the Real Estate Division (RED) within the City Administrator already does for City-owned buildings, but not land awaiting development.[20] Further growing the capacity to include sites for future affordable housing development

[20] "About the Real Estate Division," City and Country of San Francisco, accessed December 19, 2024, https://www.sf.gov/departments/real-estate-division/about.

could present an opportunity to create economies of scale internally within San Francisco's own bureaucracy, and would require additional City resources to be allocated to MOHCD or RED.

3. Putting Public Land to Work for Affordable Housing

3a. Standardized Public Land Disposition Terms for Affordable Housing. San Francisco should review and, where appropriate, refine the public land disposition terms for affordable housing by working with enterprise departments and enterprise districts to coordinate the re-purposing of underutilized land for affordable housing or the addition of housing to existing facilities on underutilized sites. Some agencies have their own land disposition processes guided by their own charters or other adopted agency and City policies. These requirements or policies can include use or development of the agency's lands to financially support the agency's public mission and services as well as ensure that agency property is conveyed at fair market value if the property was acquired using customer fees intended to construct infrastructure to serve the customers. The city should continue to ensure that development of public lands balances the prioritization of affordable housing with needs and opportunities to generate funding to support their public services and infrastructure and the development considerations for different public sites. For example, large sites or sites appropriate for high-rise development may be more viable as mixed income development sites rather than just 100 percent affordable housing development.

In New York City, city-owned surplus land that have been identified for affordable housing are either transferred to or have their disposition rights assigned to the Housing, Preservation and Development (HPD) Department to have a more streamlined disposition process, in accordance with the Mayor's directive This ensures that RFP terms are standardized, and it leverages HPD's affordable housing capacity, expertise, and their experience with these types of dispositions.

3b. Coordinated Inter-Agency Capital Planning for Affordable Housing. San Francisco should refine/update its citywide capital planning process across its agencies and enterprise departments so that every capital project, whether new construction or redevelopment/rehabilitation of existing facilities, is required to be evaluated for compatibility with joint development for affordable housing. The San Francisco Real Estate Department could play a central role in this coordination due to its oversight of city properties and facilities. This would better allow San Francisco to maximize the use of its city-owned land. For example, a library or community center considered for rehabilitation could be examined to see if it would be feasible to build affordable housing on top of them and how different financing could make it possible. As mentioned in a previous section, New York is already exploring a similar pilot with some public libraries as their inventory of vacant public land dwindles, and San Francisco already has a handful of examples of this approach. The city could also consider a policy that any planned new city facility is considered as a mixed-use development for affordable housing in close coordination between MOHCD and the relevant agency, enterprise department, or enterprise district. This approach will need to balance a realistic assessment of the agency operational needs and construction costs related to combining housing development with other infrastructure to ensure that efficiencies are achieved rather adding costs.

3c. Surplus Public Transit Land for Affordable Housing. San Francisco should continue working with transit agencies operating within the city, such as SFMTA, BART, and Caltrain to advocate that they dedicate their developable surplus or underutilized land towards affordable housing where feasible. This could apply to any acquired surplus land for future transit expansion construction, such as the case in the Seattle example with Sound Transit, or existing land made available in the future due to transit realignment, such as the Caltrain King Street Railyard. This could promote denser transit-oriented developments in many parts of San Francisco, particularly in the west side where significant fixed-rail expansion is currently planned.

The massive expansion of Seattle's light rail system meant that Sound Transit had to purchase a significant amount of land for construction. Once construction is over, a majority of the acquired surplus land will then be redeveloped into affordable housing. In essence, the 80-80-80 policy turns the site acquisition for public transit into a land bank for affordable housing.

San Francisco should focus these collaborations with transit agencies on land transactions that share a simplicity of execution that allows for each project to move forward independently, in case of any hurdles with each agency's primary project. This could be accomplished through parcelization of the transit-owned land that dedicates a separate parcel for affordable housing as opposed to embedding it within a transportation project.

Conclusion

Pursuing a comprehensive affordable housing pipeline strategy is a significant step forward in addressing the need for more affordable housing. Like other cities, San Francisco has managed its affordable housing pipeline based on available funding, which have been limited due to the fluctuating funding sources and oversubscription of state and federal sources. Given the strained funding context described in greater detail in this report, the considerations and recommendations highlighted here may provide new pathways forward for developing affordable housing and help strategically navigate limited resources. Whether the city aids with acquiring, holding, or returning sites to a more productive use, having a strategy in place that includes stakeholder priorities and feedback will be an important role. By implementing a pipeline strategy, developers will have more certainty around timelines and costs associated with development. It will also ensure that there will be sufficient sites to build more affordable housing across the city in the future.

Appendix: Models to Watch

High-cost cities are often looked to for new strategies that address the affordable housing crisis. In NYC, history is a key part of understanding how the city acquired a considerable amount of publicly owned properties and underutilized sites. In LA County, a land bank pilot is currently in the works, with acquisition expected to happen as early as November 2025. Additionally, LA County has also invested its ARPA funds into economic development strategies that aim to invest in areas impacted by the COVID-19 pandemic. While both NYC and LA are taking different approaches, the following models could be further explored by the city once implemented and are in response to the growing need for more housing. San Francisco could consider how to incorporate features of these programs into existing programs administered by MOHCD and the Office of Economic and Workforce Development.

New York Land Banking

As the largest City by population in the U.S., New York City (NYC) has dealt with housing challenges for several decades. According to the State Comptroller, one in five households' experiences severe cost burdens[21], however, these pressures are not limited to households in lower income brackets. One strategy implemented in 2011 by the state of New York was passing the New York Land Bank Act which authorized 35 local and municipal land banks that targeted areas with significant vacant and abandoned property. [22] The following section will discuss the NYC Comptroller's recommendations to establish the New York City Land Bank and the context in which NYC has acquired thousands of units over the years.

During the late 1970's, NYC utilized "In Rem" foreclosures which allowed it to take ownership of approximately 100,000 units of vacant, occupied and partially occupied housing. At the time, NYC was experiencing economic shifts and feeling the impact of suburban migration. As a result, many buildings in NYC were disinvested in and so the city implemented the "in rem" foreclosure strategy to "encourage tax compliance and to allow the City to intervene in these buildings before they deteriorated completely."[23] Properties acquired through this foreclosure process were typically severely tax delinquent and needed rehab. Acquiring a vast number of units was a huge undertaking for the City and required capacity and fiscal resources upwards of $10 billion.

As a result, NYC revised its approach and moved to selling tax liens for properties to a trust. According to the NYC Department of Finance, a property is at risk of being included in a lien sale when there are unpaid property taxes, water and sewer charges, and other property-related charges. [24] Despite the number of properties that have delinquent charges, many ultimately are often redeemed or exempt from charges. As a result, only 227 properties with liens went through the foreclosure process.

[21] "New Yorkers in Need: The Housing Insecurity Crisis," The Office of Budget Policy and Analysis, (Office of the New York State Comptroller, February 2024), https://www.osc.ny.gov/reports/new-yorkers-need-housing-insecurity-crisis.
[22] "New York State Land Bank Program," Empire State Development, May 1, 2017, https://esd.ny.gov/doing-business-ny/new-york-state-land-bank-program.
[23] Christopher J Allred, "Breaking the Cycle of Abandonment," Pioneer Institute - Better Government Competition 10 (2000).
[24] "Lien Sales," New York City Department of Finance, 2024, https://www.nyc.gov/site/finance/property/property-lien-sales.page.

If a land bank were established in NYC, it could utilize city-owned vacant and underutilized properties as well as persistently tax-delinquent privately-owned properties. [25] According to the Comptroller's analysis, 53,116 permanently affordable new units could be developed on the 1,342 City-owned sites across all 5 boroughs. An additional 4,159 units could also be produced if NYC converted underutilized, persistently tax delinquent properties from years before. A NYC land bank could help alleviate the high cost of development by providing sites to affordable housing developers and enable them to produce additional housing units.

LA County Land Bank Pilot

For many years, organizations such as Southeast Asian Community Alliance (SEACA) have advocated for a land bank strategy to address displacement concerns. Leading up to its approval, SEACA, Street Level Advisors, and authors of the LA River Plan worked alongside various County entities, including the Chief Executive Office to produce a report on "Affordable Housing Land Bank Models" which highlighted the need for a land bank as part of the LA River Plan and served as a foundation for the pilot. Following the approval of the pilot, $50 million in American Rescue Plan Act (ARPA) funds was approved for the pilot, however, by fall 2023, $25 million of the pilot's initial funding was transferred to rent relief was Board of Supervisors due to concerns surrounding ARPA clawbacks.

While the land bank is currently a government entity and is being led by the LA County Chief Executive Office, alternative structures can also include independent nonprofits. Land banks are typically public or nonprofit organizations that acquire and hold land to remove it from the market for future development. According to SEACA's report, land banks are temporary vehicles to help carry out steps to return vacant, abandoned or delinquent properties back to productive use whereas land trusts can operate on longer timelines and hold land in perpetuity. Figure 1 outlines the role of land banks and illustrates the process for how land is eventually developed into housing or sold, disposed, or a new use is identified.

[25] "Building An Affordable Future: The Promise of a New York City Land Bank," Office of the New York City Comptroller Brad Lander, February 17, 2016, https://comptroller.nyc.gov/reports/building-an-affordable-future-the-promise-of-a-new-york-city-land-bank/.

Roles of the Land Bank

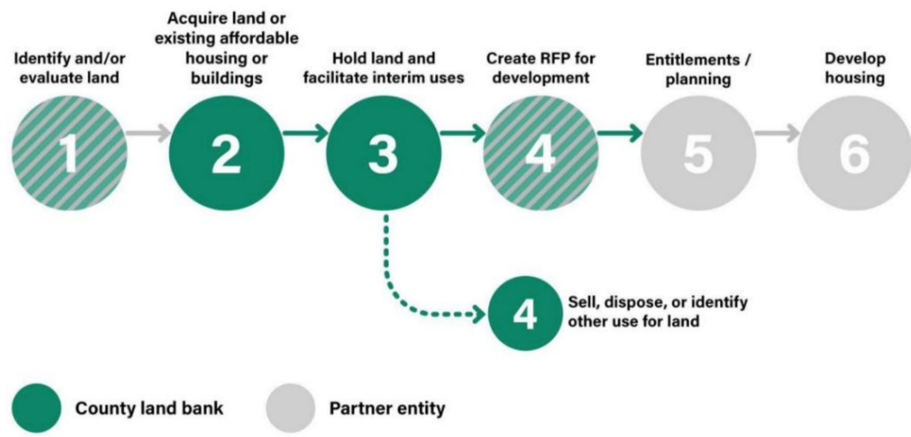

Figure 1 – Roles of the Land Bank, Affordable Housing Land Bank Models

Prior to the land bank pilot, LA County invested $14 million in a Community Land Trust (CLT) Partnership Program Pilot focused on assisting non-profits with the acquisition and rehab of naturally occurring affordable housing (NOAH) to preserve existing affordable housing and keep tenants in place. Both models are complementary to each other and can help address production and preservation of affordable housing.

The land bank pilot is expected to purchase land for approximately 800 affordable housing units. It was initially recommended that the land bank pilot utilize a data-driven strategy for acquiring properties in highly targeted locations most susceptible to gentrification and displacement identified through previous mapping. This approach included:

- Conducting an inventory of County owned land (within the geographic guidelines) suitable for affordable housing development
- Prioritizing parcels for purchase
- Providing a refined land acquisition budget

Table 1: Roadmap for Implementing the Land Bank Pilot

Component	Estimated Timeline	Process
FY 2022-23		
1. Organizational Structure	July – Oct	• Select law firm and/or consultants to support development of interim and long-term organizational structure of land bank pilot. • Identify interim roles of departments and need for any vendors to outsource components (acquisition, management and holding of land).
	Oct – June	• Create a long-term land bank entity to launch in FY 2023-24; determine organizational placement, staffing need.
2. Community Partnerships	July – Dec	• Review potential partnerships with public agencies, other jurisdictions, community-based organizations, and vendors to outsource components.
3. Funding Sources	Sept	• Propose options for securing seed funding, inclusive of administration, staffing, and infrastructure. Explore American Rescue Plan Act; develop proposal.
4. Geographic Scope	July – Oct	• Establish criteria to select and prioritize properties based upon equity, highest risk for gentrification and displacement.
5. Land Acquisition Strategy	Oct – June	• Identify viable, available properties to acquire (including tax-defaulted Chapter 8 properties; market-rate), with community partners, nonprofits, transit agencies, local jurisdictions. • Develop plan for interim use (as needed); develop agreements.

Figure 2 - Roadmap for Implementing the Land Bank Pilot, LA County

Partnerships for the pilot are expected to be a critical component to its success, as developers can provide feedback on whether a site is feasible for their pipeline, and community stakeholders can give insight as to how a site may fit into a neighborhood's context.

As of Fall 2024, Inclusive Action for the City is administering the land bank and soliciting stakeholders to submit parcels for further evaluation and potential acquisition. The land bank is currently looking for vacant and underutilized sites that align with one or more of the following criteria26:

- Vacant or underutilized
- Near existing or planned Metro rail and Bus Rapid Transit lines
- Near future large public investments, including parks and stadiums
- Near key amenities, with a preference for grocery stores, pharmacies, libraries, and medical centers.
- Could bring new amenities to a community where amenities don’t currently exist (i.e groceries to food deserts, parks to park poor areas, essential on-site services such as childcare)
- Near job rich or amenity rich areas

Additionally, the land bank is prioritizing sites with the following characteristics:

- > 0.5 acres OR adjacent to existing County owned property
- Walking distance or within a half mile to existing or planned infrastructure / transit
- Within zip codes with high equity needs (Justice Equity Needs Index) and access to essential services (Justice Equity Service Index), based on Los Angeles County’s Equity Explorer
- Within ZCTA tracts with elevated Tenant Vulnerability Index scores, based on the Equity Explorer

[26] “Land Bank Priorities,” LA County Land Bank, accessed December 19, 2024, https://www.lacountylandbank.info/priorities.

- Within census tracts classified as highest, high, or moderate resource areas, according to the 2024 CTCAC/HCD Opportunity Map.
- Located within a Difficult Development Area or a Qualified Census Tract
- Sites in unincorporated areas of Los Angeles County

County of Los Angeles' Commercial Acquisition Fund

The County of Los Angeles (LA County) has also made strides in addressing economic development in areas most negatively impacted by the COVID-19 pandemic through the LA Commercial Acquisition Fund (CAF). CAF was launched in 2024 and is funded by LA County with $10 million in American Rescue Act Plan (ARPA) funds. The program is expected to make awards between $500k to $2m by December 2024. The fund is part of the County's Economic Mobility Initiative which helps LA County communities significantly impacted by the COVID-19 pandemic by improving access to resources for people who want to start or grow small businesses or nonprofits.[27] Funding from CAF will support the acquisition of vacant or abandoned land and buildings within areas of LA County that were most negatively impacted by the COVID-19 pandemic.[28] While the program does not exclusively allow funds to be used toward housing, once acquired and rehabilitated, buildings can be mixed-use and can include some housing.

[27] "FAQs," LA County – Economic Mobility Initiative, 2024, https://lacountyemi.com/faq/.
[28] "Commercial Acquisition Fund Program," Genesis LA CAF Program, accessed December 19, 2024, https://www.lacaf.info.