

# Executive Summary of the Leadership Council Report and Full Recommendations



455 Fell Street. Photo by Bruce Damonte.

The Affordable Housing Leadership Council was convened to provide recommendations to San Francisco City staff and policymakers on a key question: **what are the funding and financing and other strategies needed to deliver 46,000 housing units affordable at extremely low, very low, low, and moderate incomes as called for in the housing targets of the City’s recently adopted Housing Element?** The Leadership Council is made up of skilled practitioners with deep expertise in affordable housing development, community-based organizations, academia, business and finance, and philanthropy. The Council has explored new and expanded affordable housing funding and financing tools as well as innovative ways for government, nonprofit, philanthropic, and business sectors to help build affordable housing. Their recommendations are described in detail in the report that follows.

Mayor London Breed called for the formation of the Leadership Council as a key piece of Housing Element implementation in her February 2023 Executive Directive which tasked the Mayor’s Office of Housing and Community Development (MOHCD), Planning Department (Planning), and Mayor’s Office staff with “convening City leadership, staff, policymakers, affordable housing advocates, and industry experts to collaborate on an Affordable Housing Implementation and Funding Strategy.” The Leadership Council met at intervals from May 2023 until January 2024. The process was guided by an Executive Committee of eight leaders in affordable housing and related sectors. A Technical Working Group also provided input from affordable housing practitioners, advocates, and other experts.

The Leadership Council’s work to identify affordable housing production and preservation funding strategies is key to reaching the City’s housing goals, centered on achieving affordable and stable

housing for equity communities including low- and moderate-income households and American Indian, Black, and other communities of color. The Leadership Council’s recommendations include technical specificity required for actions that can successfully advance the city’s housing equity goals. To address equity goals explicitly, City staff have included an assessment equity benefits and considerations in description of the recommendations.

## The Affordable Housing Leadership Council Recommendations

The Affordable Housing Leadership Council has recommended various actions that fall within three main recommendations which can be summarized as follows:



### Recommendation 1

San Francisco will need Federal, State, and regional help with funding, financing, and other tools to reach our affordable housing goals.



### Recommendation 2

San Francisco will need to expand its capacity and coordination locally to produce and preserve affordable housing.



### Recommendation 3

San Francisco will need to continue to innovate with diverse partners in the nonprofit, philanthropic, and private sectors in how we deliver affordable housing.

## Key Recommendations from the Leadership Council

The following pages of the Executive Summary highlight key recommendations from the Affordable Housing Leadership Council based on timeliness and/ or impact. Immediately following this Executive Summary, the Leadership Council recommendations are presented in full. The recommendations are also described in detail in the accompanying report.

### **Increasing Federal, State, and regional funding was a key concern for the Leadership Council**

because of the scale of affordable housing resources these levels of government have provided and could provide. San Francisco can work with other cities and affordable housing and community development stakeholders to support expansion or changes for federal, state, and regional programs. Federal funding has been the most significant funding source for affordable housing nationwide, including in San Francisco, and the Leadership Council provided concrete recommendations to expand key federal resources for affordable housing. Given widespread housing affordability and homelessness challenges in California and the Bay Area, and the near universal struggle of cities to meet RHNA goals, increasing state and regional funding were a central focus of the Leadership Council.

- **Increase Federal funding to build and preserve affordable housing through expansion of 4% and 9% Low Income Housing Tax Credits (LIHTC) and Private Activity Bonds (PAB) as called for in the Affordable Housing Credit Improvement Act (AHCIA) of 2023 and the active Tax Relief for American Families and Workers Act of 2024, as well as expansion of other capital funding**

**sources.** Affordable housing projects in San Francisco and other cities in California have struggled to move forward due to limited availability of PAB and LIHTC, the largest funding sources for affordable housing. (*Recommendations 1.A.1, 1.A.4, 1.A.5*)

- **Increase Federal funding for rental assistance and homelessness programs, particularly [Section 8 Housing Choice Vouchers \(HCVs\)](#) and [Project-based Rental Assistance \(PBRA\)](#), to provide deeper affordability for the lowest income households as called for in bills introduced in 2023** such as the Family Stability and Opportunity Vouchers Act of 2023 or [The Housing Response Act of 2023](#). Extremely low-income renters struggle to find housing they can afford without rent subsidy. Section 8 HCVs fill this gap by allowing low-income households to spend only 30 percent of income on rent while housing providers receive rent closer to market. Project-based vouchers can help affordable housing providers to cover operating costs and financing. (*Recommendations 1.A.2, 1.A.6*)
- **Provide cities and voters with more tools to fund affordable housing and other community infrastructure by passing State Assembly Constitutional Amendment (ACA) 1 in November 2024 to require 55 percent voter threshold for local funding.** Currently a two-thirds supermajority of voters is required to approve local general obligation (GO) bonds and taxes for specified uses like affordable housing. In the past, housing and infrastructure measures in California cities and counties have fallen short by a few percentage points, preventing needed investment. The change in ACA 1 would allow funding supported by a majority of voters to move forward, including the proposed \$10-20 billion Bay Area Housing Finance Authority (BAHFA) bond. (*Recommendation 1.B.1*)
- **Expand State funding for people who are unhoused and with behavioral health challenges, for example by passing Proposition 1 on the March 2024 ballot, the Behavioral Health Services Program and Bond Measure.** Proposed by Governor Newsom, Proposition 1 would provide \$6.38 billion in bond funding for treatment and residential facilities and supportive housing and make changes to funding provided by the Mental Health Services Act (MHSA) (2004) including covering treatment for substance use disorders. Maintaining and increasing funding for supportive housing and services would help California cities reduce homelessness. (*Recommendation 1.B.2*)
- **Pursue a range of statewide affordable housing funding sources including a potential state bond in 2024 as well as permanent funding sources.** Assemblymember Buffy Wicks is championing a potential statewide housing bond for the November 2024 ballot, which can be a crucial resource for development in San Francisco and other cities. The state could also consider future bonds in later years, and perhaps more importantly, expand permanent sources of funding for affordable housing (e.g., new statewide revenue, a dedicated allocation from the state's General Fund, Proposition 13 reform, etc.) to help cities meet their RHNA goals. (*Recommendations 1.B.3, 1.B.8, 1.B.9*)
- **Support efforts to address current threats to project and housing provider stability, particularly regarding insurance.** Lack of access to affordable insurance is a growing problem in California including for affordable housing developments that face extreme rate increases for builders-risk, property, and liability insurance, which hard for affordable properties with constrained financing to bear. State reforms and investments are crucial to reducing costs. (*Recommendation 1.B.7*)

- **With the creation of the Bay Area Housing Finance Authority (BAHFA), the Bay Area has new opportunities to address housing affordability and homelessness, for example by passing a regional housing bond in November, 2024.** Funding from a regional bond would mostly return to the county where it is generated, meaning San Francisco would likely receive \$1-2 billion in affordable housing funding, depending on the size of the bond. BAHFA funding would ensure that all cities in the region can do their part to build affordable housing. BAHFA could also offer other financing and funding tools in the future. *(Recommendations 1.C.1, 1.C.2)*

**Expanding San Francisco’s capacity and coordination to fund affordable housing was a key focus of the Leadership Council** because the City will need to build on its extensive affordable housing ecosystem and investments to do more to reach its affordable housing goals.

Recommendations include expanding funding and financing capability and increasing coordination to speed housing delivery and lower costs.

- **Ensure ongoing local affordable housing funding, for example by passing the March 2024 Affordable Housing General Obligation (GO) bond, including a future GO bond in the regular bond cycle, and considering other sources as economic recovery and budget allow.** San Francisco voters and elected officials have substantially increased affordable housing funding over the last 10 years, doubling affordable housing production. GO bonds have been the largest local source followed by general fund allocations. To continue affordable housing production the city will need ongoing funding including future bonds and other sources. *(Recommendations 2.A.1, 2.A.2, 2.A.7, 2.A.8)*
- **Strengthen the ecosystem of San Francisco’s affordable housing providers and offer support to serve the lowest income populations.** Most subsidized affordable housing in San Francisco is built and managed by a robust ecosystem of nonprofit affordable housing organizations with funding from city, state, and federal agencies. Recent challenges have put strain on affordable housing developers including the COVID-19 pandemic, increasing costs, growing maintenance needs of aging building, and increased focus on serving extremely low-income (ELI) tenants and people with high service needs. To strengthen these key partners, the city can provide increased financial flexibility and pursue support such as operating subsidy for ELI tenants. *(Recommendations 2.A.6, 2.A.8)*
- **Expand San Francisco’s affordable housing financing and funding capacity by increasing coordination between housing agencies, leveraging locally available federal programs, including San Francisco Housing Authority (SFHA) resources, and creating local lending programs.** Through greater coordination and partnership between MOHCD, SFHA, and other agencies that fund housing like the Office of Community Investment and Infrastructure (OCII) and the Department of Homelessness and Supportive Housing (HSH), San Francisco could better use resources. For example, the city could leverage housing authority resources such as vouchers to fund more affordable housing. The City can also build its capacity as a public lender, including developing a revolving loan fund, an open indenture, HUD and/ or Mortgage Risk-Share credit enhancement, among other options. Together, these tools and programs can allow the City to leverage additional dollars, at lower interest rates, and deploy debt, capital subsidy, and rental assistance to increase affordable housing production. *(Recommendations 2.A.5, 2.A.11, 2.B.1)*

- **Reduce or eliminate City-imposed fees and requirements that drive up costs of affordable housing development.** Various members of the Leadership Council highlighted costs imposed by the City through fees and requirements that can range from fees for public art, special requirements to use public power, “only in San Francisco” building code provisions, or infrastructure costs that are imposed on affordable housing projects. Recommendations to address these issues include removing, reducing, or delaying fees and requirements. (*Recommendations 2.C.1, 2.C.2, 2.C.4*)

**Innovation and alternative approaches to delivering affordable housing were another key set of recommendations from the Leadership Council** because of the need for additional sources of funding and creative approaches that can deliver more affordable housing at lower cost.

- **Explore alternative tools for the production and management of housing affordable to low- and moderate-income households, including joint power authorities (JPA) and tax increment financing (TIF).** While increased investment in existing affordable housing programs is essential, there are additional financing tools available to public entities that can raise new revenue and lower costs. JPAs can offer a tool to build or preserve middle-income housing, for example by leveraging tax-exempt bonds and property tax exemptions to fund new housing without up-front public subsidy. TIF offers a tool to raise needed capital up-front for larger scale development of public infrastructure and affordable housing, drawing on future property tax increases. Alternative ownership models can also be valuable to provide economies of scale for ongoing asset and property management, especially of small- and mid-sized buildings. (*Recommendations 3.A.1, 3.A.2, 3.A.6*)
- **Support innovative financing and development approaches and use cross-sector partnerships to expand affordable housing production.** City agencies and affordable housing developers can work with nonprofit, philanthropic, and other partners to explore creative funding and financing structures and new and emerging construction types that can lower costs, speed housing delivery, and point to new ways to produce housing. Nonprofit and mission driven lenders can help to bring capital from private sources and deploy funding and financing more flexibly to affordable housing developers than government agencies can. Partnerships with religious, educational, and other nonprofits could also provide land for affordable housing. (*Recommendations 3.A.3, 3.C.1, 3.C.2*)
- **Encourage housing that can be more affordable to low- and moderate-income renters without significant subsidy through rezoning, process changes, and other approaches.** The Implementation of the housing element includes rezoning to allow more multifamily housing in areas where it was severely restricted in the past. Recent changes to ADU laws at the state and local levels have provided examples of zoning and policy changes to encourage moderate-income housing. San Francisco can continue to adjust local rules to allow more small multifamily housing types, such as co-housing, in more of the city and work with other levels of government, nonprofit, and other partners to identify additional support and incentives to encourage small and medium size multifamily housing. (*Recommendations 3.B.1, 3.B.4*)

San Francisco’s affordable housing goals have never been more ambitious. The Affordable Housing Leadership Council’s recommendations touch on a broad range of issues, offering a comprehensive vision of what the city can do to support affordable housing. The City will consider these recommendations to maintain and expand progress on affordable housing production and preservation in the years to come.

# Full Recommendations of the Affordable Housing Leadership Council

## Recommendation 1.

**ADVOCATE FOR SIGNIFICANT INCREASES IN FEDERAL, STATE, AND REGIONAL RESOURCES FOR AFFORDABLE HOUSING OF ALL TYPES, INCLUDING NEW CONSTRUCTION, PRESERVATION, AND HOMEOWNERSHIP.**

<p><b>1.A.</b> <b>Federal Affordable Housing Funding</b></p>	<ol style="list-style-type: none"> <li>1. Advocate for lowering of 50% bond test to 25% to expand availability of 4% Low Income Housing Tax Credits (LIHTC) and for expansion of 9% LIHTC</li> <li>2. Support efforts to win new funding for HUD Project-Based Rental Assistance and/or to allow direct project access to voucher subsidy</li> <li>3. Pursue opportunities to increase leveraging of federal funding for local projects, especially through HUD programs, but also including other potential sources</li> <li>4. Advocate for additional capital sources and tax benefits for affordable housing</li> <li>5. Support efforts to increase funding for Senior &amp; Disabled Housing (202 &amp; 811 programs)</li> <li>6. Advocate for the expansion of Housing Choice Vouchers (Section 8) and homelessness programs</li> <li>7. Support efforts to create or expand programs for low- and middle-income homeownership including project financing, first-time home buyers, and loan products for homeowners adding ADUs and other small multifamily</li> <li>8. Advocate for increases to Faircloth rents to levels that cover operating costs</li> <li>9. Support efforts to invest federal employment development funding to increase skilled construction workforce</li> </ol>
<p><b>1.B.</b> <b>State Affordable Housing Funding and Policies</b></p>	<ol style="list-style-type: none"> <li>1. Support Assembly Constitutional Amendment (ACA) 1 for 55% voter threshold for local funding</li> <li>2. Support passage of 2024 ballot measures to reform MHSA and pass \$6B bond</li> <li>3. Advocate for a State Housing Bond in 2024 and in future years</li> <li>4. Working with big-city mayors, advocate for alignment of state goals on GHG reduction, AFFH, job access, community stabilization, and cost reduction, through changes to State funding formulas (e.g. CDLAC scoring) to make higher cost job centers, like San Francisco, more competitive</li> <li>5. Support efforts to increase coordination between State agencies in the allocation of funding</li> <li>6. Increase flexibility to apply property tax abatements to housing restricted to moderate incomes</li> <li>7. Support efforts to increase access to affordable property insurance</li> <li>8. Support Prop 13 reform as it applies to commercial property taxation</li> <li>9. Advocate for budget allocations and ongoing set-asides as permanent sources to fund affordable housing production, preservation, and operations</li> <li>10. Advocate to replace certain powers lost with dissolution of redevelopment agencies to facilitate future tax-increment financing, site assembly, and land disposition</li> <li>11. Reform treatment of preservation in the Housing Element and RHNA process</li> <li>12. Pursue State support for low- and moderate-income homeownership including project financing, first-time homebuyers, and financing of ADUs</li> <li>13. Advocate for increased funding for housing-related infrastructure to alleviate cost burden on large-scale multi-phase projects (e.g. HOPE SF)</li> </ol>



### 1.C.

#### Regional Affordable Housing Funding and Financing

1. Support passage of a regional bond in November 2024
2. Support creation and implementation of potential moderate income housing program.

## Recommendation 2.

**BUILDING ON SAN FRANCISCO'S STRONG HISTORY OF AFFORDABLE HOUSING PRODUCTION AND PRESERVATION, TAKE STEPS TO INCREASE LOCAL CAPACITY AND COORDINATION TO FINANCE, BUILD, AND PRESERVE AFFORDABLE HOUSING CITYWIDE FOR DIVERSE POPULATIONS, INCLUDING ELI, VLI, LI, AND MODERATE-INCOME HOUSEHOLDS.**

### 2.A.

#### San Francisco's Capacity to Produce and Preserve Affordable Housing

1. Support passage of a local bond in March 2024
2. Use SB 593 bonding authority to fund replacement of affordable housing destroyed by urban renewal
3. Pursue federal operating funds through HUD's Faircloth to RAD program
4. Use provisions in Inflation Reduction Act to reduce operating costs through energy efficiency improvements within affordable housing
5. Increase City's capacity to take advantage of federally enabled financing and program tools available through the Housing Authority.
6. Strengthen existing portfolio through programmatic and policy modifications (e.g. residual receipts policy) to support property operations and ensure sustainability of participants of SF's affordable housing ecosystem
7. Support additional Local Bond (2028 or later)
8. Identify new local funding streams for affordable housing as economic recovery allows including funding for ongoing ELI operating subsidy
9. Continue to offer down payment assistance and other programs for middle income homeownership
10. Encourage mixed income models within tax credit allowable income ranges in order reduce subsidy needs and create income inclusive communities
11. Expand MOHCD's capacity as a housing finance agency by establishing a revolving loan program and other housing finance tools
12. Increase local developer and contractor capacity through targeted capacity-building investments for emerging developers and reducing barriers to entry for general and sub-contractors

### 2.B.

#### "One San Francisco" Approach to Coordinate the City's Housing Agencies

1. Increase efficacy of the City's housing and housing-related agencies (MOHCD, HSH, SFHA, OCII, DPH) by establishing shared priority investment goals, integrating functions where possible, and coordinating resource distribution; pursue structural changes and/or cross-departmental MOUs, to clarify roles and better align investments across programs (e.g. allocating Section 8 vouchers)
2. Establish emergency power framework to improve coordination across housing agencies
3. Identify opportunities to leverage publicly owned land for affordable housing and to spur mixed-income housing in adjacent areas (e.g. area around Laguna Honda)
4. Improve coordination on plan and permit review and certificate of occupancy by Mayor's Office of Disability, Fire, DPW, SFPUC, and other permitting agencies that can result in costly, unexpected changes or delays
5. Establish ombudsperson to resolve permitting conflicts specifically for affordable developments

## 2.C.

### Lowering Costs of Producing Affordable Housing

1. Reduce production costs through reduction in fees and requirements
2. Reform utility infrastructure and on-site requirements for efficient, reliable, and cost-effective service
3. Expand contractor pool and skilled construction labor supply
4. Based on contractor input, implement strategies to lower costs with process improvements (e.g. expedited payment of subcontractors; predevelopment purchase of certain building materials)
5. Continue to implement use of lower cost building methods and materials that use skilled labor including pre-fabricated components and modular construction
6. Encourage innovative pilots with reduced regulation and/or newer construction types to demonstrate approaches that can scale lower cost and faster housing delivery

## Recommendation 3.

**FURTHER SAN FRANCISCO'S LEADERSHIP IN AFFORDABLE HOUSING INNOVATION THROUGH PARTNERSHIP WITH PRIVATE DONORS, PHILANTHROPY, NONPROFITS, AND COMMUNITY STAKEHOLDERS, TO ADVANCE THE CREATION OF AFFORDABLE HOUSING OUTSIDE OF TRADITIONAL LIHTC FUNDING MODELS.**

## 3.A.

### Innovative Financing Models to Produce Affordable Housing

1. Use local bonding authority and JPA/government ownership models to create a moderate-income preservation program
2. Create IFDs or EIFDs for large-scale projects to fund infrastructure and advance housing production, including required affordable housing
3. Develop innovative financing programs and pilot projects to encourage private investment in predevelopment/construction and other creative financing models that can be scaled for affordable housing, especially permanent supportive housing
4. Provide technical assistance to support infill development under SB 9 provisions or innovative ADU programs
5. Research and implement innovative models of infrastructure financing in order to reduce cost burden on affordable housing development
6. Pursue Joint Ownership models to increase small site developer capacity by centralizing and aggregating asset management responsibilities.

## 3.B.

### Rezoning and Process changes to Support Affordability with Minimal Subsidy

1. Develop incentives to encourage moderate income rental housing production in high opportunity areas as part of the Housing Element Zoning program
2. Incentivize conversions of under-utilized office buildings to residential
3. Create area-wide EIRs in order to eliminate need for costly environmental reviews on a per-project basis and/or leverage Housing Element EIR and state law to reduce CEQA review
4. Support efforts to create housing that is made more affordable through design (e.g. group housing and small multifamily)

## 3.C.

### Cross-Sector Partnerships

1. Identify opportunities to leverage religious, educational, or nonprofit owned land for affordable housing and take advantage of SB 4 or other applicable ministerial streamlining programs
2. Coordinate with nonprofit, philanthropic, and other partners to provide nimble and flexible funding, financing, and access to institutional capital investment for affordable housing