
2060 Folsom Street. Photo by Bruce Damonte.

Affordable Housing Funding and Financing Recommendations Report

FEBRUARY 2024

Recommendations from the Affordable Housing Leadership Council convened as part of implementation of San Francisco's 2022 Housing Element Update

Report prepared by Staff of the San Francisco Mayor's Office of Housing and Community Development, San Francisco Planning Department, and Enterprise Community Partners

Mayor's Office of Housing and Community Development

San Francisco Planning

Enterprise

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Thank you and Acknowledgement to Leadership Council

The City of San Francisco would like to sincerely thank the distinguished leaders in the affordable housing world who gave their time, ideas, and expertise to the Affordable Housing Leadership Council. The City hopes to continue to work in partnership with these leaders to implement many of the recommendations they have provided. The City has attempted to organize and present the feedback the Leadership Council has provided as thoroughly as possible. The technical report accompanying the Leadership Council's recommendations is the product of City staff and consultants.

Members of the Executive Committee

- Fred Blackwell, CEO, San Francisco Foundation
- Rebecca Foster, CEO, San Francisco Housing Accelerator Fund
- Carol Galante, Founder & Advisor, Terner Center of Housing Innovation at UC Berkeley
- Luis Granados, CEO, Mission Economic Development Agency
- Doug Shoemaker, President, Mercy Housing California
- Ann Silverberg, CEO, Related California Nor Cal Affordable & Northwest Divisions
- Jim Wunderman, President & CEO, Bay Area Council
- Malcolm Yeung, Executive Director, Chinatown Community Development Center

Members of the Technical Working Group

- Geeta Rao, Senior Director, Enterprise Community Partners
- Ari Beliak, President & CEO, Merritt Community Capital
- Evita Chavez, Program Officer, The San Francisco Foundation
- Scott Littlehale, Senior Research Analyst, Nor Cal Carpenters Union
- Sujata Srivastava, Housing and Planning Policy Director, SPUR
- Michael Cohen, Founding Partner, Strada Investment Group
- Corey Smith, Executive Director, Housing Action Committee
- Laura Foote, Executive Director, YIMBY Action
- Whitney Jones, Deputy Director of Operations, Chinatown Community Development Center
- Karoleen Feng, Chief Community Real Estate Officer, Mission Economic Development Agency
- Katie Lamont, Chief Operating Officer, Tenderloin Neighborhood Development Corporation
- Kevin Kitchingham, Director of Housing Development & Construction, Mission Housing
- John Avalos, Executive Director, Council of Community Housing Organizations
- Ramie Dare, Director of Real Estate, Mercy Housing
- Ed Parillon, Director of Real Estate Development, Insight Housing
- Ben Wong, Executive Director, Wah Mei School
- Sam Cobbs, CEO, Tipping Point Community
- Carolina Reid, Associate Professor of City & Regional Planning, UC Berkeley
- Eric Tao, Managing Partner, L37 Partners
- Joshua Callahan, Managing Director, The Roxborough Group
- Maureen Sedonaen, CEO, Habitat for Humanity Bay Area
- Cindy Wu, Executive Director, LISC Bay Area

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

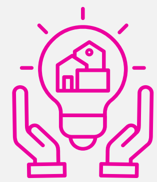
The Affordable Housing Leadership Council has recommended various actions that fall within three main recommendations which can be summarized as follows:

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

<table>
<tr><th colspan="2">Recommendation 1.
ADVOCATE FOR SIGNIFICANT INCREASES IN FEDERAL, STATE, AND REGIONAL RESOURCES FOR AFFORDABLE HOUSING OF ALL TYPES, INCLUDING NEW CONSTRUCTION, PRESERVATION, AND HOMEOWNERSHIP.</th></tr>
<tr><td>1.A.
Federal Affordable Housing Funding</td><td>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
2. Support efforts to win new funding for HUD Project-Based Rental Assistance and/or to allow direct project access to voucher subsidy
3. Pursue opportunities to increase leveraging of federal funding for local projects, especially through HUD programs, but also including other potential sources
4. Advocate for additional capital sources and tax benefits for affordable housing
5. Support efforts to increase funding for Senior & Disabled Housing (202 & 811 programs)
6. Advocate for the expansion of Housing Choice Vouchers (Section 8) and homelessness programs
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
8. Advocate for increases to Faircloth rents to levels that cover operating costs
9. Support efforts to invest federal employment development funding to increase skilled construction workforce</td></tr>
<tr><td>1.B.
State Affordable Housing Funding and Policies</td><td>1. Support Assembly Constitutional Amendment (ACA) 1 for 55% voter threshold for local funding
2. Support passage of 2024 ballot measures to reform MHSA and pass $6B bond
3. Advocate for a State Housing Bond in 2024 and in future years
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
5. Support efforts to increase coordination between State agencies in the allocation of funding
6. Increase flexibility to apply property tax abatements to housing restricted to moderate incomes
7. Support efforts to increase access to affordable property insurance
8. Support Prop 13 reform as it applies to commercial property taxation
9. Advocate for budget allocations and ongoing set-asides as permanent sources to fund affordable housing production, preservation, and operations
10. Advocate to replace certain powers lost with dissolution of redevelopment agencies to facilitate future tax-increment financing, site assembly, and land disposition
11. Reform treatment of preservation in the Housing Element and RHNA process
12. Pursue State support for low- and moderate-income homeownership including project financing, first-time homebuyers, and financing of ADUs
13. Advocate for increased funding for housing-related infrastructure to alleviate cost burden on large-scale multi-phase projects (e.g. HOPE SF)</td></tr>
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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

Introduction

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 very low, low, and moderate incomes as called for in the City's recently adopted housing plan?** The Leadership Council is made up of skilled practitioners with deep housing 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. Implementing the Leadership Council's recommendations to increase affordable housing production and preservation will require coordination, collaboration, and advocacy across federal, state, regional, and local government as well other sectors. The recommendations are also integral to implementation of the City's Equity Housing Goals in the Housing Element. The Leadership Council's recommendations are described in detail in the report that follows.

Housing Element Goals

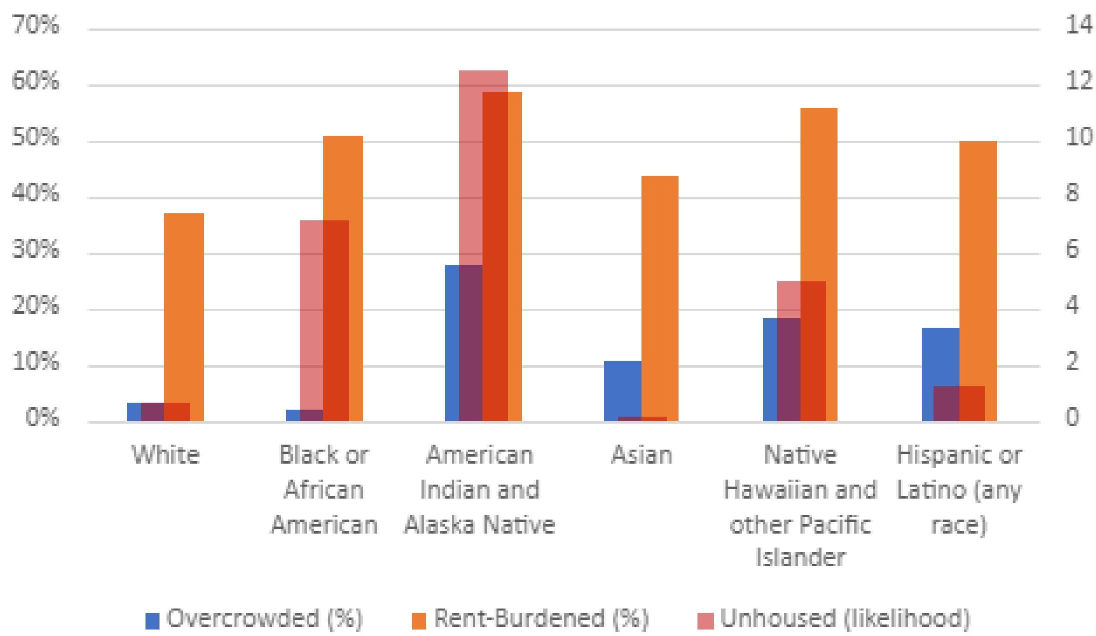
The Affordable Housing Leadership Council's Recommendations are an essential part of implementation of San Francisco's 2022 Housing Element, the City's 8-year plan to meet the housing needs of current and future residents. It is the City's first housing plan centered on racial and social equity, and the plan's goals, objectives, and policies set forth a vision for an inclusive city where housing is a human right and racial inequities in housing are reduced or eliminated. The Housing Element's five goals are:

1. Recognize housing as the foundation for health, social, and economic well-being
2. Repair the harms of racial and ethnic discrimination against American Indian, Black, and other people of color
3. Foster racially and socially inclusive neighborhoods through equitable distribution of investment and growth
4. Provide housing for existing and future residents with a diverse set of incomes, cultures, family structures, and abilities
5. Promote neighborhoods that are well-connected, healthy, and rich with community culture

The Affordable Housing Leadership Council's work to identify funding opportunities, financing strategies, and process improvements to increase production and preservation of affordable housing is key to reaching the housing targets in the Housing Element plan and achieving San Francisco's equity goals that depend on housing affordability and stability. The Leadership Council's recommendations are often technical in nature, reflecting the complexity of funding and building affordable housing, yet the recommendations can each play a role in advancing the city's housing affordability and equity goals. To address these connections explicitly, City staff have included an assessment of benefits and challenges (where applicable) to equity communities in the description of the recommendations.

Increasing affordable housing production and preservation is crucial to achieving the City's equity goals because lack of affordable housing leads to cost burdens, overcrowding, displacement, and homelessness that disproportionately affect San Francisco's communities of color, people with lower incomes, and other vulnerable groups. Increasing our capacity to build and preserve affordable housing will improve housing affordability for low- and moderate-income households and prioritize repairing harms to equity communities from discriminatory government actions. In addition to the production and preservation of affordable housing, the Housing Element includes policies and programs to stabilize communities and better connect people with the greatest housing challenges to the affordable housing they need. San Francisco will need to continue to implement these policies and programs, along with the Leadership Council's recommendations, to achieve our equity housing goals.

Figure 1. **Overcrowding, Housing Rent Burden, and Homelessness by Race (San Francisco)**



Source: ACS 2019 1-year Estimates; 2019 San Francisco Point-In-Time Homeless Count and Survey Report, Department of Homeless and Supportive Housing.

UNPRECEDENTED SCALE OF HOUSING GOALS TO ADDRESS EXISTING AND FUTURE NEEDS

The State of California has enacted various laws to ensure that cities and counties plan for existing and future housing needs in their Housing Elements and permit housing to meet those needs. San Francisco's 8-year housing goals for the Housing Element are set through a regional process called the Regional Housing Needs Allocation (RHNA) coordinated by the Association of Bay Area Governments (ABAG) with oversight from the State. Housing needs are first determined for the 9-county Bay Area based on estimates of population, employment, and household growth and then are adjusted to address existing housing needs including housing cost burdens, overcrowding, vacancy, and other factors. The regional number is divided by income groups and is then assigned to each jurisdiction in the region based on multiple factors including current number of households, estimated future household growth, and proximity to jobs, transit, and higher resource areas as defined by the state. Updates to the way the RHNA is developed have resulted in increased housing goals for regions and cities throughout California and San Francisco is no exception. For 2023 through 2030 the City is tasked with permitting 82,069 housing units with 46,000 affordable to households who earn up to 120% of area median Income (AMI).

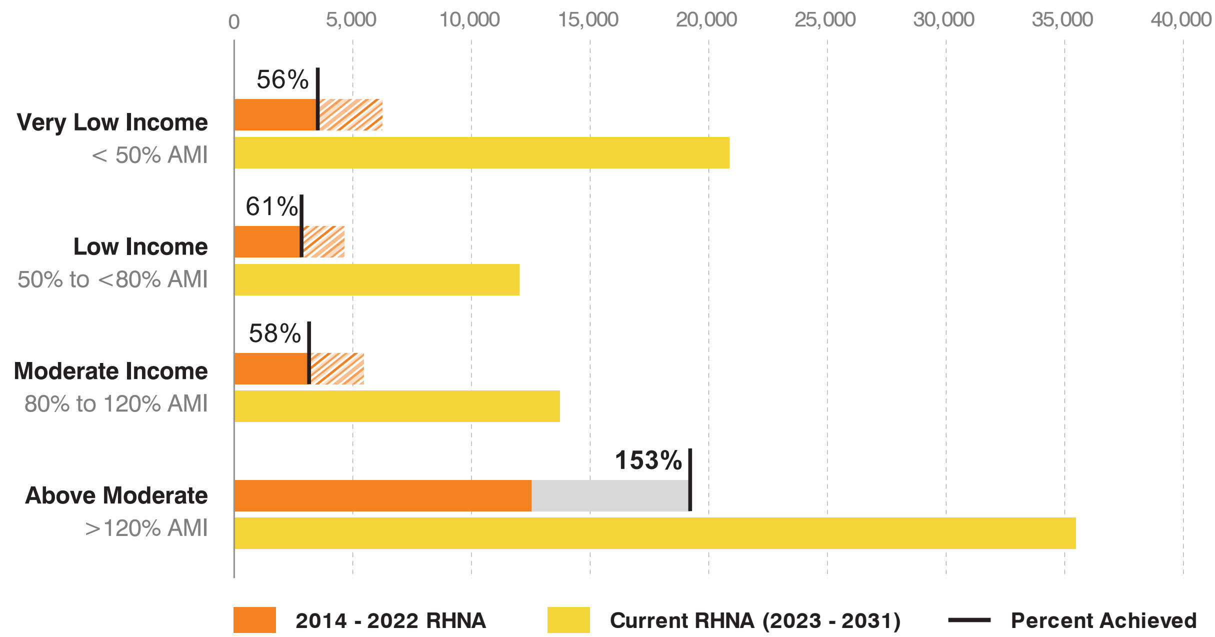
Figure 2. San Francisco 2023-2030 Regional Housing Needs Allocation (RHNA)

Income Levels	*AMI Range*	*Units*	*Annual Target*	*Percent of Total*
Extremely Low Income	<30% AMI	13,981	1,748	17%
Very Low Income	30-50% AMI	6,886	861	8%
Low Income	50-80% AMI	12,014	1,502	15%
Moderate Income	80-120% AMI	13,717	1,715	17%
Above Moderate Income	>120% AMI	35,471	4,434	43%
Total RHNA		**82,069**	**10,258**	**100%**

Source: Association of Bay Area Governments (ABAG), SF Planning

In recent years, housing production has increased in San Francisco compared to prior decades and affordable housing production and preservation have increased with significant local investment (see the Affordable Housing context section of this report). Yet even with this progress, like nearly all cities in California, San Francisco has struggled to meet its affordable housing goals because there is no funding attached to the RHNA goals. From 2015-2022, San Francisco's RHNA called for over 16,000 units affordable at very low, low and moderate incomes as well as 12,500 units affordable at above moderate incomes. During that timeframe, San Francisco produced 9,517 affordable units, or 58% of its goal for housing affordable low and moderate incomes. San Francisco would need to nearly triple housing production across all income levels to meet the ambitious RHNA goals for 2023-2030, yet funding has not increased to support this production. In order for the City to achieve its housing goals across income levels, city agencies have been tasked with removing barriers to housing development through process improvements to streamline housing approvals and permits as directed by the Mayor's Housing for All Executive Directive. Given the need for subsidy for housing affordable at lower incomes, the City cannot meet its affordable housing targets without a dramatic increase in state, federal, local, and private investments as well as other changes recommended in this report.

Figure 3. San Francisco 2023-2030 RHNA Goals Relative to 2015-2022 RHNA Goals and Progress



Source: Association of Bay Area Governments (ABAG), SF Planning

Leadership Council Structure and Process

Given the importance of affordable housing production and preservation to achieving San Francisco's housing and equity goals, the Housing Element process assembled the brightest minds in the housing industry to generate big ideas and provide critical feedback on affordable housing. 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) and Planning Department (Planning) staff to "develop a near-term plan for convening City leadership, staff, policymakers, affordable housing advocates, and industry experts to collaborate on an Affordable Housing Implementation and Funding Strategy." This group would provide specific recommendations needed to help achieve the RHNA goals of 46,000 affordable units. The Affordable Housing Leadership Council fulfills this action and this report offers the building blocks of the implementation and funding strategy.

COUNCIL STRUCTURE

The Leadership Council process was guided by an Executive Committee made up of eight members who are leaders from affordable housing developers, philanthropy, community-based organizations, nonprofits, business, and academia. Executive Committee members represent diverse communities, experience, and sectors in affordable housing. The Executive Committee met regularly over a nine-month period with a three-month break during the summer while City staff and consultants conducted research on issues identified by the Committee.

In addition to the Executive Committee's guidance, City staff convened sessions with the Technical Working Group made up of additional affordable housing experts including housing practitioners and other leaders in academia, philanthropy, and nonprofit housing policy experts and community-based advocates. Technical Working Group members met as needed for focused discussions on specific topics, suggest additional strategies, and to provide feedback on draft recommendations.

City staff provided support for the work of the committees and working groups with agendas, facilitation, research, and summary recommendations. Enterprise Community Partners, a national nonprofit dedicated to increasing affordable housing was hired as a research and advisory consultant to support the Council's research needs. Memos on several key topics that provide background information on recommendations are included in the Appendix.

PROCESS AND TIMELINE

The Executive Committee and working group meetings were held from Spring 2023 until January 2024. The first series of meetings of the Executive Council and Working Group kicked off in May of 2023 and continued in June 2023, to collect initial ideas and then organize them thematically and identify key questions for additional research. City staff also provided context on the City's housing plan and housing goals, the City's affordable housing production and preservation trends, and the tools the City uses to build affordable housing. The conversations brought up a range of important topics that could help deliver more housing affordable to low-income residents in the city, including the need for more funding from various sources and better coordination of different city policies and programs.

Over the summer of 2023, City staff worked with Enterprise to scope and research some of the key areas of interest from the Executive Committee. Enterprise and city staff conducted research and prepared draft findings looking ahead to reconvening with the Leadership Council in the fall. In October, staff presented emerging themes from the Leadership Council and a framework for the recommendations that were emerging from the group. An ongoing community engagement effort by the Planning Department, the Activating Community Priorities process and a synthesis of the community housing priorities (discussed in the Equity Priorities and Analysis section) was presented to the Committee. This spurred conversations about how to make the connections between affordable housing funding and finance and equity outcomes more clear. In addition to these discussions, Enterprise Community Partners presented their research on topics identified by the Committee and City staff.

Ideas from the first three Executive Committee meetings and Technical Working Group meetings were compiled and organized into three broad draft recommendations with more specific recommended actions within these recommendations. In December, the draft recommendations were presented to both the Executive Committee and Technical Working Groups for feedback and for any additional input. In January, the Executive Committee convened the final meetings to further discuss and finalize the recommendations that are presented in the Recommendations section.

OUTCOMES AND DELIVERABLES

The core deliverable of the Leadership Council process is the recommendations from the Executive Committee also based on input from the Technical Working Group. Based on these recommendations, Planning, MOHCD, and Enterprise have produced this accompanying document, the technical report, that provides context and explains recommendations and actions with greater detail.

Community Equity Housing Priorities and Analysis

The Housing Element is expansive and covers specific housing-related actions that the City should pursue. For the first time, the Housing Element includes Affirmatively Furthering Fair Housing (AFFH) requirements and a focus on racial and social equity. To address these requirements and the City's history of disparate outcomes for people of color and disadvantaged communities, the City places special attention on equity communities' priorities. Specifically, Action 4.1.3 of the Housing Element's Implementing Programs directs the City to "Identify priority actions in the Housing Element Implementing Programs that respond to the needs of American Indian, Black, and other people of color, and other disadvantaged communities, through collaboration with Cultural Districts or other racial and social equity-focused community bodies such as the Community Equity Advisory Council or the African American Reparations Committee."

After the adoption of the Housing Element, the Planning Department initiated Activating Community Priorities, an effort to return to equity communities to identify highest priority housing actions. From June to September 2023, Planning staff worked with representatives from seven equity communities with whom Planning had already built relationships to identify their communities' priorities. These seven equity communities included the American Indian Cultural District, Black and African American community, SOMA Pilipinas, Mission/ Latino Community, Tenderloin, Japantown, and the Sunset focusing on the Chinese Cultural District. Community-based organizations in each community worked with Planning to develop a process to identify their community's housing priorities. The processes, which ranged from referencing existing community documents to multi-pronged approaches were tailored to each community based on their capacity and existing work. Each community produced a short list of housing priorities responding to their community's concerns and needs.

Planning then applied the priorities identified by each community and synthesized cross-cutting priorities to see common themes across equity communities. Staff grouped communities' individual priorities into broad topics, such as "homeownership" or "homelessness prevention and services." After identifying commonalities across each topic, staff drafted the synthesized priorities by highlighting the most common concerns and developed language that was inclusive of various communities' priorities.

Subsequently, the synthesized priorities were presented to the Community Equity Advisory Council (the Equity Council) to gather feedback on the synthesis process and alignment with community needs. The Equity Council is a result of the resolutions passed in 2020 by the San Francisco Planning Commission and Historic Preservation Commission centering the Planning Department's work on racial and social equity and emphasizing diverse representation and community voices in policy planning. The Equity Council is made up of 11 San Francisco community leaders guiding City staff on racial and social equity priorities. The Equity Council is responsible for developing a platform and a process for deeper community engagement to ensure productive dialogues between city agencies and our community organizations, networks, and coalitions serving communities of color, low-income communities and other vulnerable populations.

COLLECTIVE HOUSING PRIORITIES AND EQUITY ANALYSIS IN THIS REPORT

As a result of this process, Planning identified 12 equity communities' priorities that capture shared housing concerns and will help guide the City's implementation of the Housing Element. Six of these priorities relate most closely to the work of the Affordable Housing Leadership Council on funding and financing and other strategies for affordable housing production and preservation:

- **Expand production of affordable housing for lower income people with diverse needs**, including different household types, ages, abilities, and cultures, and ensure 100% affordable housing is built in both priority equity and well-resourced areas.
- **Expand preservation of existing housing affordable at low and moderate incomes**, such as multifamily rental, SROs, and co-ops, through maintenance, rehabilitation, and acquisition, ensuring preservation programs, such as Small Sites, meet the needs of each equity community.
- **Invest to establish and/or grow community capacity to own, produce, and preserve affordable housing in equity communities** that currently lack nonprofit developer capacity.
- **Expand rent assistance and operating subsidies to provide deeper affordability** and stabilize buildings serving the lowest income renters and people most vulnerable to homelessness.
- **Implement and expand low- and moderate-income homeownership programs**, particularly for communities that have faced housing discrimination, including programs for homebuyers and to help homeowners maintain their homes, build wealth, add accessory units, and age in place.
- **Adopt zoning and processes that encourage more varied housing and living options for diverse needs in well-resourced areas**, such as family-friendly multifamily housing, senior housing, housing for people with disabilities, and residential care facilities.

These six priorities are referenced in indicators provided for each of the Leadership Council's recommended actions. The six priorities are shortened for the sake of brevity to: **affordable housing production, affordable housing preservation, equity community capacity, deeper affordability, homeownership, and housing options in well-resourced areas.** For each recommended action, staff have matched the potential impacts of actions against the above community housing priorities. Additionally, at the end of each thematic section, staff have summarized equity considerations for policy makers and residents to take into account as they pursue implementation of these recommendations.

The other six priorities are mostly outside of the scope of the Leadership Council's focus on affordable housing production and were not included in the equity analysis. These priorities are being addressed by City agencies, community-based organizations, and other partners through parallel efforts:

- **Strengthen culturally competent homelessness response** by improving living conditions, speeding placement, and increasing case management in supportive housing and expanding shelters and interim housing with services, especially substance abuse treatment.
- **Maintain and increase tenant protections assistance and services that are culturally and linguistically responsive to diverse communities**, including to address discrimination against Section 8 voucher holders.
- **Build capacity for community-based organizations to provide linguistically and culturally responsive housing education, navigation, and other services** to increase housing knowledge and access and prevent or exit homelessness.
- **Address eligibility barriers and inequities in the affordable housing placement process** to increase affordable housing access for communities with disproportionate needs and honor preferences.

- **Implement or expand housing policies, programs, and preferences that redress racial discrimination and/or honor promises to harmed communities**, responding to actions such as the Indian Relocation Act, redlining, redevelopment, and Japanese internment.
- **Strengthen community decision-making on land use in equity communities to support housing, culture, arts, economic vitality, and community-serving uses.**

Affordable Housing Context

For decades, housing affordability in San Francisco and the Bay Area has been a pressing concern for low- and middle-income residents. Extremely low and very low-income renters struggle with affordability nationwide[i]. In San Francisco and the Bay Area, income inequality[ii] and lack of housing relative to growth in jobs[iii] can make the problems of affordability feel more acute[iv]. Through Housing Elements and RHNA targets, California provides goals for cities in the state to plan for, however, the resources and programs to meet housing needs are provided through a complex patchwork from different levels of government and private and nonprofit sectors and are currently not sufficient to address the need. In this section we provide context on defining affordability, how San Francisco has produced and preserved affordable housing for people with low and moderate incomes, and San Francisco's housing stock today. Additional context on affordable housing funding and programs is provided in each of the three sections presenting the Leadership Council's recommendations.

CONTEXT ON DEFINING HOUSING AFFORDABILITY

Housing is considered affordable when a household spends 30% or less of their income on housing costs according to federal guidelines. Because the severity of affordable housing challenges is worse for low- and moderate-income households, RHNA housing goals and other housing laws and programs refer to the housing needs of different income groups. Income groups are defined relative to the area median income (AMI), the middle of the income range in the metropolitan area, and are also adjusted based on the number of people in the household because larger households need more space and often pay more for housing. Income groups commonly referenced in housing policy and programs include:

- Extremely Low Income (ELI) – earning up to 30% of AMI
- Very Low income (VLI) – earning up to 50% of AMI
- Low Income (Low) - earning up to 80% of AMI
- Moderate Income (Mod) - earning between 80% and 120% of AMI
- Above Moderate (Above Mod)- earning above 120% of AMI

The median income for a four-person household was $144,100 in the San Francisco area in 2023. This means that this household could afford $3,602 in housing costs per month according to federal standards. A household that is considered Extremely Low-Income (ELI) that earns up to 30% of median income, is estimated to have a much smaller budget for housing. For example, a single retiree living on Social Security who received the average annual benefit of $21,900 in 2023 could afford a monthly housing cost of about $547 dollars. On the other end of the income spectrum a household earning $400,000 per year (or more than twice the median) could afford to spend $10,000 per month on housing- and could easily spend more on housing while having ample income left for other needs.

Progress toward meeting RHNA goals is measured based on the number of housing units produced relative to the affordability standards described above. To be considered affordable at low or moderate income, a home doesn't necessarily have to be subsidized or restricted to a particular income, however, there must be evidence that the home will be rented or sold at a price affordable to a particular income level. Most new housing affordable to lower income households requires public funding or some other subsidy simply because the cost of building new housing is greater than can be paid for with the rents or prices that lower income people can afford. Some existing housing- typically older, multifamily housing- may be affordable to lower income households without subsidy. A significant amount of rental housing, including new housing, can be affordable at moderate incomes (between 80-120% of AMI), for example accessory dwelling units (ADUs), also known as in-laws, granny flats, and or cottages. Moderate income homeownership, however, can be challenging without subsidy in the high-priced San Francisco market.

Figure 4. San Francisco Area Median Income (AMI) by Household Size

Area Median Income (AMI), by Household Size	1 Person	2 People	3 People	4 People
Extremely Low-Income Households Earn up to 30% of AMI	$30,250	$34,600	$38,900	$43,250
Very Low-Income Households Earn between 30% to 50% of AMI	$50,450	$57,650	$64,850	$72,050
Low-Income Households Earn between 50% to 80% of AMI	$80,700	$92,250	$103,750	$115,300
Moderate-Income Households Earn between 80% to 120% of AMI	$121,000	$138,350	$155,650	$172,900

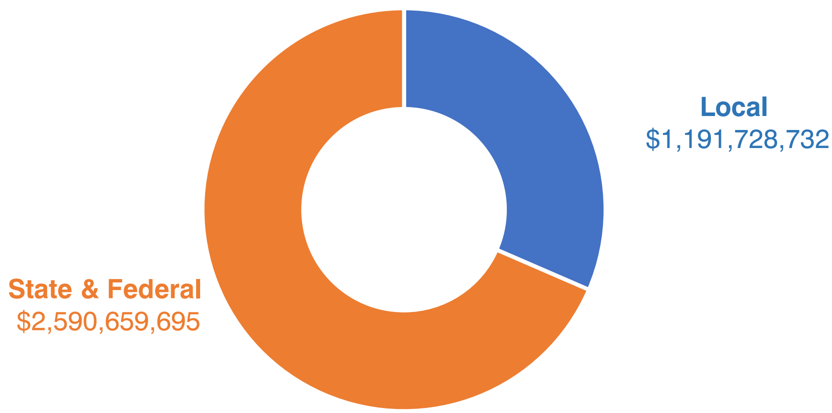
Source: Mayor's Office of Housing and Community Development

SAN FRANCISCO'S RECENT SUBSIDIZED AFFORDABLE HOUSING PRODUCTION AND PRESERVATION

Subsidized affordable housing production has increased substantially over the last decade as San Francisco expanded local affordable housing funding, helping to secure more federal and state funding. In addition, the city has significantly expanded affordable housing preservation through acquisition of existing rental housing and rehabilitation of aging affordable housing, particularly public housing.

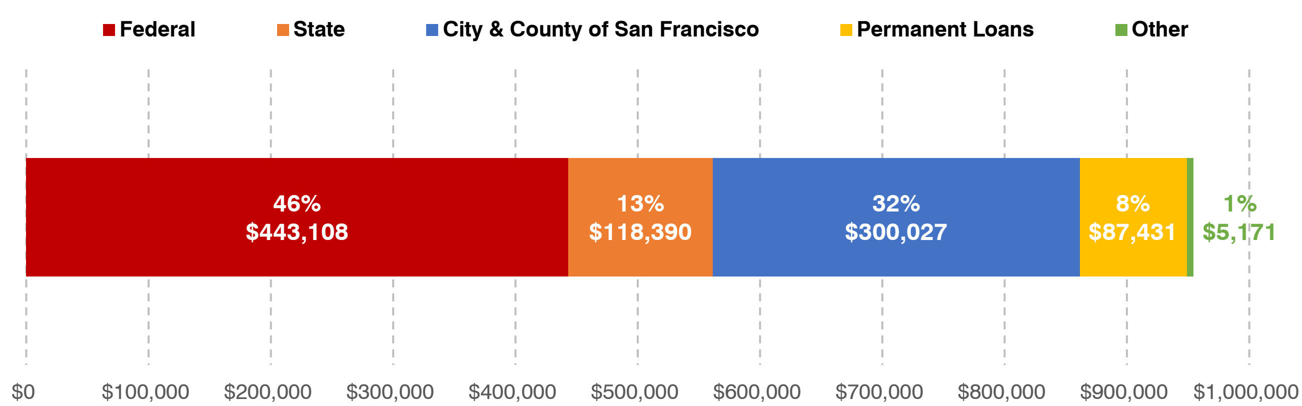
New affordable housing for lower income households is primarily constructed in 100% affordable buildings using a combination of federal, state, and local funding and financing. Federal funding is the largest single source, primarily through LIHTC and tax-exempt bonds. The state has also been expanding and renewing affordable housing programs funded by various sources and typically combined with federal tax credits. Together federal and state sources provided about two thirds of total affordable housing funding for new affordable housing. Affordable housing funding from all sources has totaled nearly $3.8 billion over the last six years (*see Figure 5*). Local funding is crucial to building affordable housing because it pays for costs not covered by federal and state funds- for example pre-development costs like project concept and design before federal or state funds are received. Local funding has been provided by various sources including General Obligation Bonds approved by voters, Inclusionary Housing fees paid by market rate housing, allocations from San Francisco's budget approved by the Board of Supervisors and Mayor, and General Fund dollars designated for affordable housing through the Housing Trust Fund. See more on local funding in the context section for Recommendation 2 on increasing San Francisco's capacity and coordination for affordable housing.

Figure 5. San Francisco Affordable Housing Funding by Source (FY17-28 to FY22-23)



Source: Mayor's Office of Housing and Community Development (MOHCD)

Figure 6. Average Funding Stack for a Sample of Affordable Housing Projects in San Francisco



Source: Mayor's Office of Housing and Community Development (MOHCD).

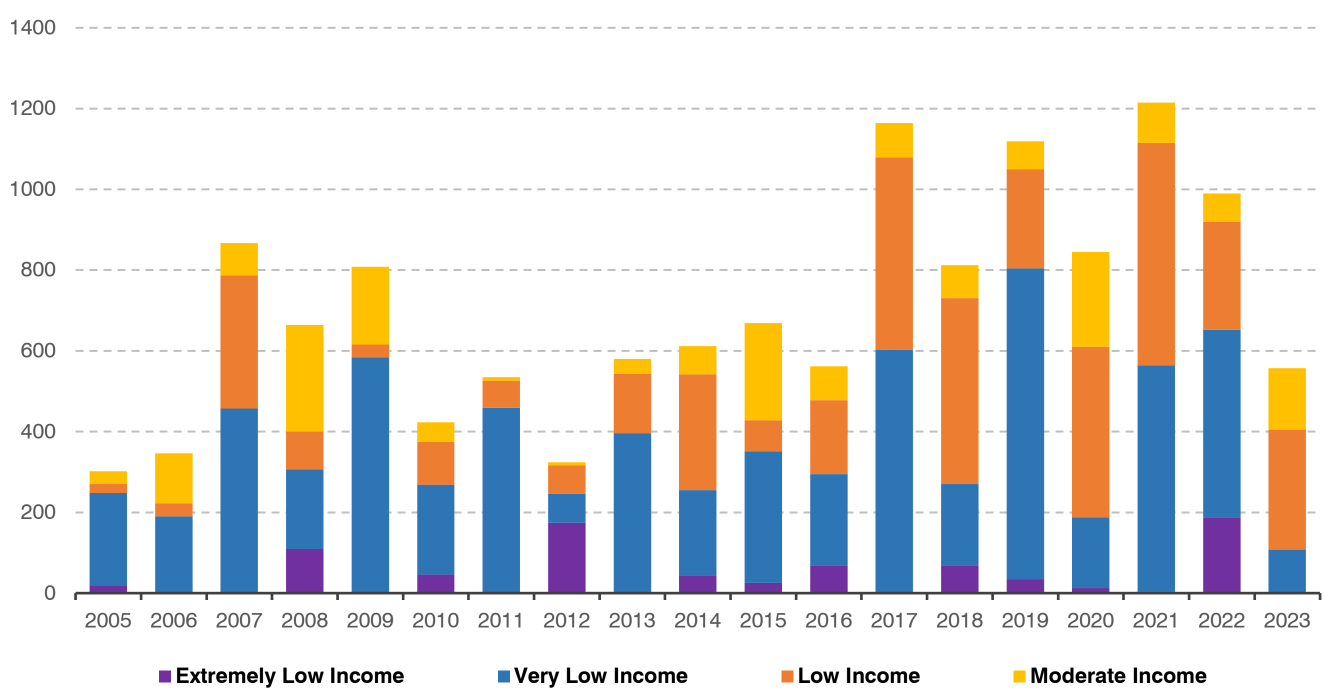
Note: Based on a sample of 15 affordable housing projects from 2022 to 2024. Other generally comprised of Affordable Housing Program Awards from the Federal Home Loan Bank of San Francisco. Permanent mortgages vary widely from comprising 20% of capital stack and over $200,000 per unit for projects with significant Project Based Section 8 Voucher (PBVs) contracts, to only amounting to 0-3% of the capital stack and an average of $30,000 per unit for projects without sizable PBV contracts.

Most of San Francisco's affordable housing has been developed through partnerships between city agencies and affordable housing developers, most of which are nonprofits based in San Francisco. The city's leading affordable housing funding agency is MOHCD. The Office of Community Investment and

Infrastructure (OCII), successor to the former redevelopment agency, also provides funding for affordable housing. The San Francisco Housing Authority can help fund projects and provide deeper affordability by project-basing Housing Choice Vouchers (HCVs) was well as providing HCVs to tenants to help them affordable housing in the market. The Department of Homelessness and Supportive Housing (HSH) funds deeply affordable units as supportive housing for formerly homeless in 100% affordable housing, including some buildings that are entirely supportive housing for formerly homeless. In addition to city agencies and affordable housing developers, other nonprofit and private organizations play a role in affordable housing finance and development including community development financial institutions (CDFIs) and banks, philanthropic organizations, and others.

Affordable housing production has averaged over 1,000 units per year since 2017, approximately doubling from 10 years prior (*see Figure 7*). The increase in affordable housing production follows the increase in local affordable housing funding that began with voter approval of a General Obligation bond for housing in 2015. The drop in production in 2023 reflects limited availability of federal and state funds in 2021(see context on federal funding under Recommendation 1). In addition to publicly funded affordable housing, approximately a third of affordable housing produced annually has been from inclusionary housing in market rate developments. The amount of inclusionary housing produced depends on the financial feasibility of privately financed developments and the amount of production that occurs citywide. According to Figure 7 the majority of affordable housing produced in San Francisco in recent years has targeted very low-income (30-50% AMI) and low-income (50-80% AMI) households. San Francisco has produced less housing for extremely low-income households (<30% AMI), usually because these units require additional rent or operating subsidy.

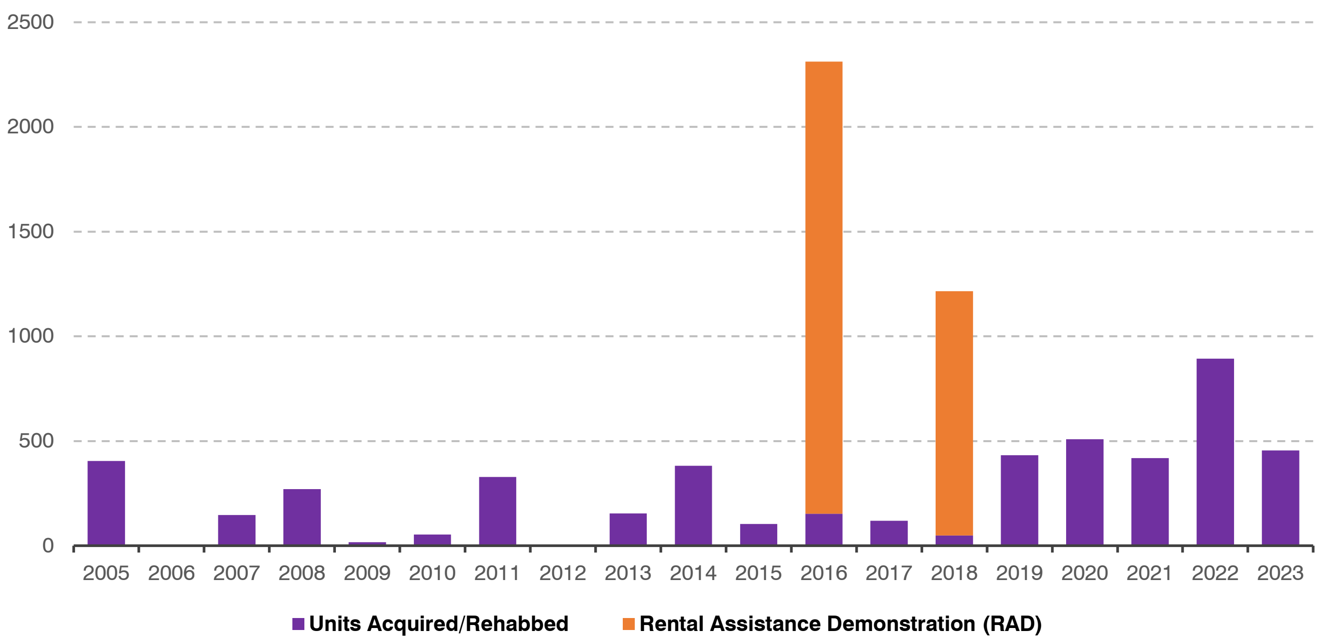
Figure 7. **San Francisco Annual Affordable Housing Production (2005-2023)**



Source: SF Planning

San Francisco has also been growing the amount of housing acquired and converted to permanent affordability as well as existing affordable housing that has been rehabilitated and preserved. A major acquisition program is the Small Sites Program (SSP) which funds nonprofit purchases of existing rental housing with low- and moderate-income residents and converts the buildings to permanent affordability. Because the housing serves a wider range of incomes than typically covered by federal and state affordable housing programs it relies on local funding and private debt rather than federal and state funding as most new construction and preservation does. The City has used the federal Rental Assistance Demonstration (RAD) program to rehabilitate and recapitalize 3,600 units of public housing and shift those units to management of nonprofit affordable housing providers. The city is also working to rebuild the remaining 600+ units of dilapidated public housing owned and managed by the SFHA through the HOPE SF program which will add additional affordable housing and market rate units to create mixed income communities at Sunnydale and Potrero. In addition to these initiatives, from 2022 through 2024, the City has used local, state, and federal funds to purchase over 700 residential and hotel units to be converted to supportive housing for people who were unhoused.

Figure 8. **San Francisco Annual Affordable Housing Preservation by Year (2006–2023)**



Source: Mayor's Office of Housing and Community Development (MOHCD), Department of Homelessness and Supportive Housing (HSH), SF Planning

Construction costs grew to be some of the most expensive in the world from 2010 through 2020 and have remained high, driven by high cost of living in the Bay Area and scarcity of skilled labor as well as supply chain disruption, inflation, and other factors. Increasing costs have driven up the cost of developing new housing as well as rehabilitating existing housing.

San Francisco has been doing more than ever before to build and preserve affordable housing, however, it will need to do significantly more in order to reach its 2023-2030 RHNA goals and will need significant help from the federal, state, and regional governments as well as nonprofit, philanthropic and business sectors to come close to these goals. San Francisco is not alone in this challenge and, in fact, has been producing far more affordable housing than any other Bay Area city. According to data assembled by the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG)[v], over the five years from 2018 through 2022, San Francisco produced around half of all subsidized, permanently affordable housing in the Bay Area though San Francisco was responsible for only about 15% of the regional goals. The underperformance of cities in producing subsidized, permanently affordable housing points to a broadly shared need for affordable housing funding at all levels of government and across other sectors.

CONTEXT ON SAN FRANCISCO'S HOUSING TODAY

As of 2022 San Francisco had over 414,000 homes according to American Community Survey (ACS) from the US Census Bureau. ACS data show the city's households are over 60% renter (over 220,000 households). Nearly 80,000 renters in the city (more than 35% of all renters) are cost burdened (spending 30% of income or more on rent) and nearly 40,000 are severely burdened (spending more than half their income on rent). The majority of cost burdened renters are low-income and most severely burdened renters are ELI or VLI[vi]. In addition, there are nearly 40,000 cost burdened owners who are typically low and moderate income. Homeownership is out of reach to most households due to the median price of $1.2 million.

According to ACS data, renters live in diverse housing types, with 88% living in multifamily housing of two or more units. In contrast, two thirds of homeowners live in single family homes. The city's housing stock is considerably older than average for the country or the state with the majority of San Francisco's housing built before 1960 and nearly half built before 1940. The majority of rental housing is subject to rent control, which typically covers multifamily rental units built before June, 1979, though there are exceptions. The City's Rent Board estimates over 150,000 units are subject to rent control. In addition, most rental units are subject to Just Cause eviction protections that limit evictions to specific reasons.

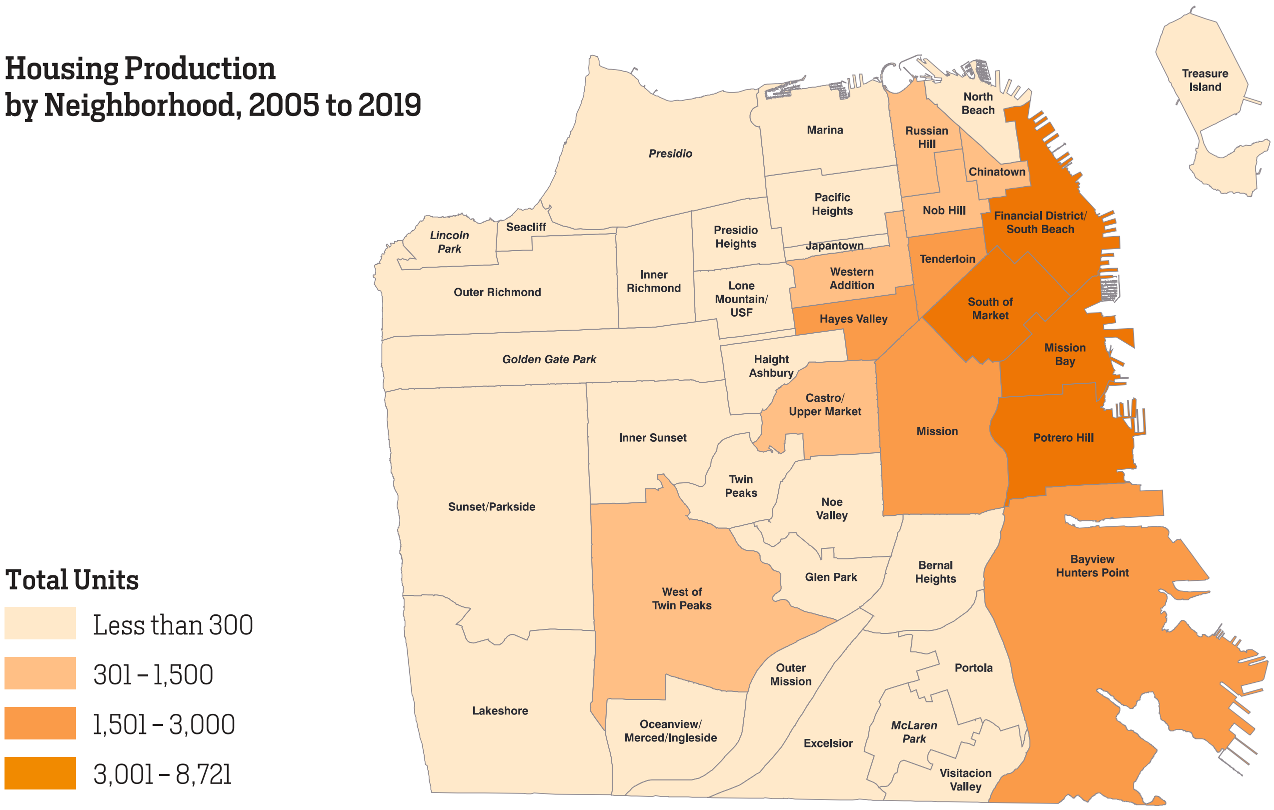
In recent history, multifamily housing has only been allowed at higher densities in the eastern part of the city and recent housing production has been concentrated on the city's east side. Historic production of affordable housing, which is typically multifamily housing of 50-100 units, is also concentrated on the city's east side. The Housing Element sets a goal of continued investment in affordable housing in equity communities, primarily located on the east side, as well as expanding housing options in well-resourced neighborhoods in the city's center, north, and west.

According to city, state, and federal data, nearly 9% of homes, about 36,000 units, are subsidized to be affordable at very low, low, or moderate incomes. The other 91% of housing is privately owned and operated and is not targeted at a particular income level (though rental units that are not subsidized are often subject to rent control). San Francisco has a higher number and higher percentage of subsidized affordable housing than many other cities in California. The vast majority of affordable housing is in 100% affordable housing buildings that were built using various public subsidy programs. Other multifamily buildings have been acquired and converted to permanent affordability also using public subsidy. In addition, thousands of affordable units have been created as part of market rate developments through the City's Inclusionary Housing program as well as part of specially negotiated development agreements. The City also facilitates affordable ownership opportunities through Below Market Rate (BMR) homeownership units, downpayment assistance programs, and cooperative housing.

San Francisco has additional federal and local programs designed to help the lowest income households who struggle to afford housing or are exiting homelessness. The San Francisco Housing

Authority (SFHA) administers federally funded housing choice vouchers (HCVs, or Section 8) to 12,553 households. Some of these vouchers are located in specific affordable housing buildings, helping to provide more deeply affordable units while providing a financial boost to the development. Additionally, the Department of Homelessness and Supportive Housing (HSH) manages a total of 13,236 units across their own portfolio of site-based permanent supportive housing buildings where they have leased units to house formerly homeless individuals. HSH also provides 3,776 permanent and temporary rent subsidies through their scattered-site permanent supportive housing and rapid re-housing programs.

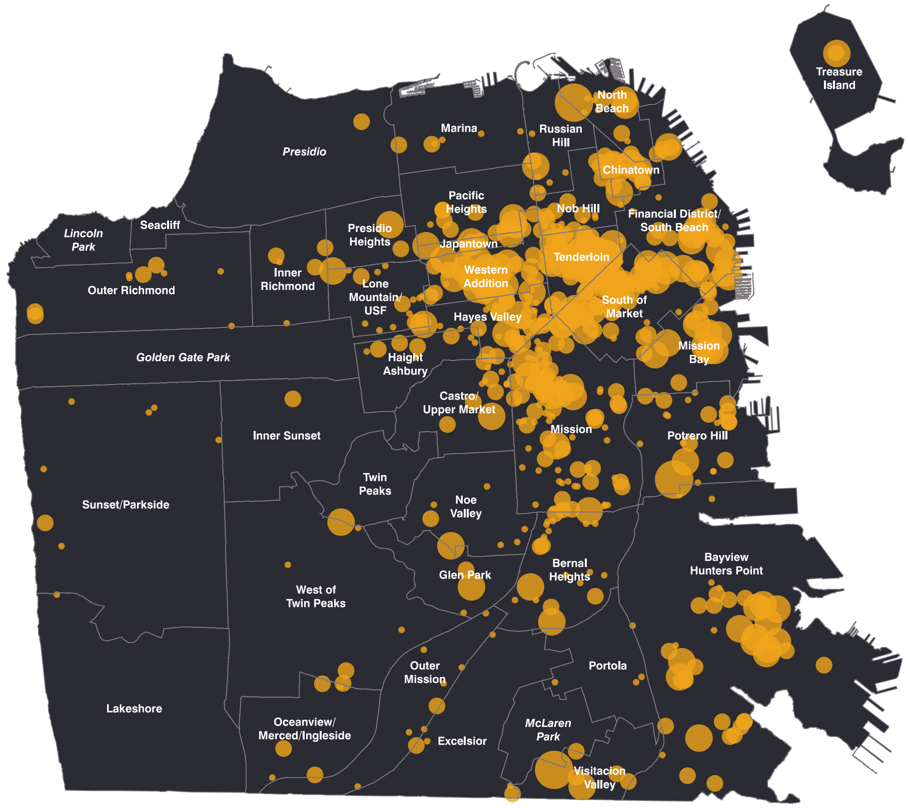
Figure 9. Housing Production by Neighborhood (2005–2019)



Source: SF Planning

Figure 10. Permanent Affordable Housing Units (2018)

Subsidized Affordable Housing



Affordable Units

- 0 – 10
- 11 – 100
- 101 – 300
- 301 – 646

Source: Mayor's Office of Housing and Community Development (MOHCD)

Recommendations

The following recommendations, developed by the Affordable Housing Leadership Council, propose methods to fund and enable affordable housing production and preservation in San Francisco. In addition to proposing new potential sources of funding and financing, these recommendations also consider methods to optimize existing funds, engage private capital, and reduce existing barriers and costs to affordable housing delivery.

The goal of these recommendations is to support the production and preservation of as much affordable housing in San Francisco as possible over the 8-year housing element period and beyond. When potential financial impacts of specific recommendations are known, estimate dollars generated or units delivered are provided. For many recommendations, however, the exact form and impact would vary depending on how implementation is carried out and therefore potential dollars generated or saved or unit produced are impossible to estimate at this time. Unless otherwise noted, the recommended actions do not specify a usage for funds and potential funding or financing could often support affordable housing production or preservation and other related housing investments.

This report groups recommended actions into three overarching recommendations and nine themes that fall within those recommendations.

Recommendations

1. Advocate for significant increases in federal, state, and regional resources for affordable housing of all types, including new construction, preservation, and homeownership.

- **1.A.** Federal Affordable Housing Funding
- **1.B.** State Affordable Housing Funding and Policies
- **1.C.** Regional Affordable Housing Funding and Financing

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
- **2.B.** "One San Francisco" Approach to Coordinating the City's Housing Agencies
- **2.C.** Lower Costs of Producing Affordable Housing

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
- **3.B.** Rezoning and Process Changes to Support Affordability with Minimal Subsidy
- **3.C.** Cross Sector Partnerships

The following section provides greater detail and context for each recommendation. Each recommendation is accompanied by context to orient the reader to relevant issues and information that informs the recommendations. Under each recommendation will be recommended actions, grouped by issue area, that provide more specifics about how the overarching recommendation can be achieved. Each recommended action also includes a brief assessment of its impact, required effort, timeline, and equity impact to give policymakers tools to consider the potential of each action. Below is a guide to reading the assessment of each action, including the analysis categories:

Recommended Action	
Description: What is the action and what is the underlying issue(s) it addresses?	
Timing:	*How long would the action take to implement?* Short (0-2 years) Medium (2-4 years) Long (4+ years) OR Specific Year
Type of change:	*How do we implement this action, broadly?*
Issue area:	*What category of issue does this action address?*
Impact:	*What scale of impact could this action have on affordable housing production and preservation?* Targeted *(Actions whose impact is focused on a niche issue)* Moderate High Transformational
Effort:	*How logistically or politically complex is it to implement this action? What are those barriers to implementation?* Least Complex Moderate Most Complex
Equity priorities:	*Of the housing priorities identified by equity communities, which ones will this action advance?*
Implementors:	*Which actors, public and private, would advocate for and/or implement this action?*

1. Advocate for More Federal, State, & Regional Affordable Housing Funding

RECOMMENDATION 1

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

Context

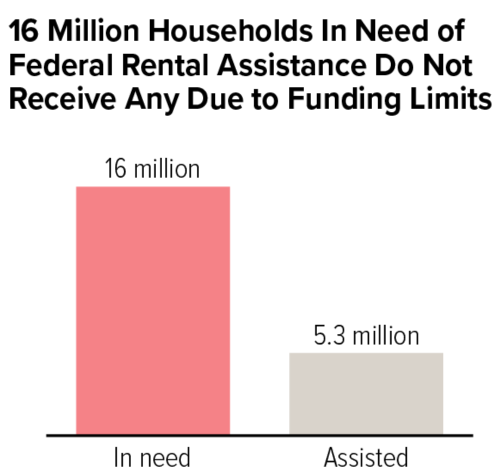
FEDERAL CONTEXT

While land use decisions are primarily made at the local and state level, the federal government plays the leading role in funding affordable housing production and preservation, as well as increasing the affordability of housing to low-income residents through rental assistance programs. The federal government has an unmatched scale of resources to invest in affordable housing. Building and maintaining decent housing that is affordable to extremely low-income (ELI) and very low-income (VLI) renters is difficult nationwide because of the gap between the cost of building and maintaining quality housing and what the lowest income households can afford to pay. Federal investment to address the housing needs of the lowest income households began with public housing built through local public housing authorities (PHAs) starting in the 1930s and 1940s. However, federal commitment to affordable housing has waned in recent decades, making it increasingly challenging to meet the growing affordability and homelessness needs across the nation.

In the mid-20th century, federal urban renewal programs encouraged clearing of disinvested neighborhoods labeled as blighted, including lower income Black and other communities of color. While some new housing was built, thousands of housing units and communities were lost to demolition. Public housing received less funding and federal occupancy rules created racial and income segregation that resulted in racially concentrated poverty and decline. In the 1960s federal housing policy shifted to subsidize affordable housing development by private, often nonprofit, developers through loans and grants from HUD. Then, following a halt in funding for public housing, the 1970's ushered in a severe retrenchment of federal investment in affordable housing, including public housing but also programs like the Community Development Block Grant (CDBG). In response to diminishing investments and program consolidations and eliminations, the Low-Income Housing Tax Credit (LIHTC) was created in the 1980s in a shift towards building affordable housing through public-private partnerships. This transition away from public investment and development was solidified through the Faircloth Amendment of 1998, which prohibited new public housing construction beyond the total public housing units owned and operated by public housing authorities in 1999.

Today, the U.S. Department of Housing and Urban Development (HUD) provides funding for affordable housing through a variety of programs and grants, both by formula and competition. Although the federal government has historically been a critical partner in affordable housing and continues to be the primary provider of large-scale resources, communities across the country, like San Francisco, continue to see high rates of unmet need relative to federal funding. The Center on Budget and Policy Priorities has found that for more than a decade, millions of households with extreme housing need - meaning they earn below 50% of the area median income and spend more than half of their income on housing - go without any form of federal housing assistance. Federal rental assistance waitlists tell a similar story. Eligibility is far from a guarantee for a federal housing voucher, with three out of four eligible households unable to access a voucher due to limited funding for the program (Figure 11). Federal programs to fund production and preservation of affordable housing for low- and moderate-income households, like LIHTC, are also limited and there is a growing deficit of millions of affordable homes as well as need to improve existing affordable housing.

Figure 11. Households Eligible for Federal Rental Assistance



Note: In need = households earning 80 percent or less of the local median household income and paying more than 30 percent of monthly income for housing and/or living in overcrowded or substandard housing.

Source: Graph from Center on Budget and Policy Priorities (CBPP). Data from Department of Housing and Urban Development (HUD) custom tabulations of the 2019 American Housing Survey and CBPP tabulations of 2018 HUD administrative data; 2020 McKinney-Vento Permanent Supportive Housing, Transitional Housing, Safe Havens, and Other Permanent Housing bed counts; 2019-2020 Housing Opportunities for Persons with AIDS grantee performance profiles; and the Department of Agriculture's 2020 Multi-Family Fair Housing Occupancy Report.

San Francisco receives limited annual federal funding allocations that fund homelessness services and supportive housing, community and housing services, and some housing production and preservation. Through formula-based and competitive allocations, San Francisco received over $86 million in funding from six primary HUD programs in 2022 (Figure 12). The Community Development Block Grant (CDBG) Program provides annual grants on a formula basis for housing preservation, community services and infrastructure, and expanding economic opportunities primarily for low- and moderate-income people. The Emergency Solutions Grants Program (ESG), also a formula grant program, provides funding to support people experiencing or at risk of experiencing homelessness to quickly regain stability in permanent housing. Another formula grant program, The HOME Investment Partnerships Program (HOME), provides federal block grants designed exclusively to create affordable housing. The Housing Opportunities for Persons with AIDS (HOPWA), a formula and competitive program, provides housing assistance and related supportive services for people with low incomes who are living with HIV/AIDS. Finally, Continuum of Care (CoC), a competitive program, supports people and families experiencing homelessness to access permanent supportive housing and services needed for long-term stability.

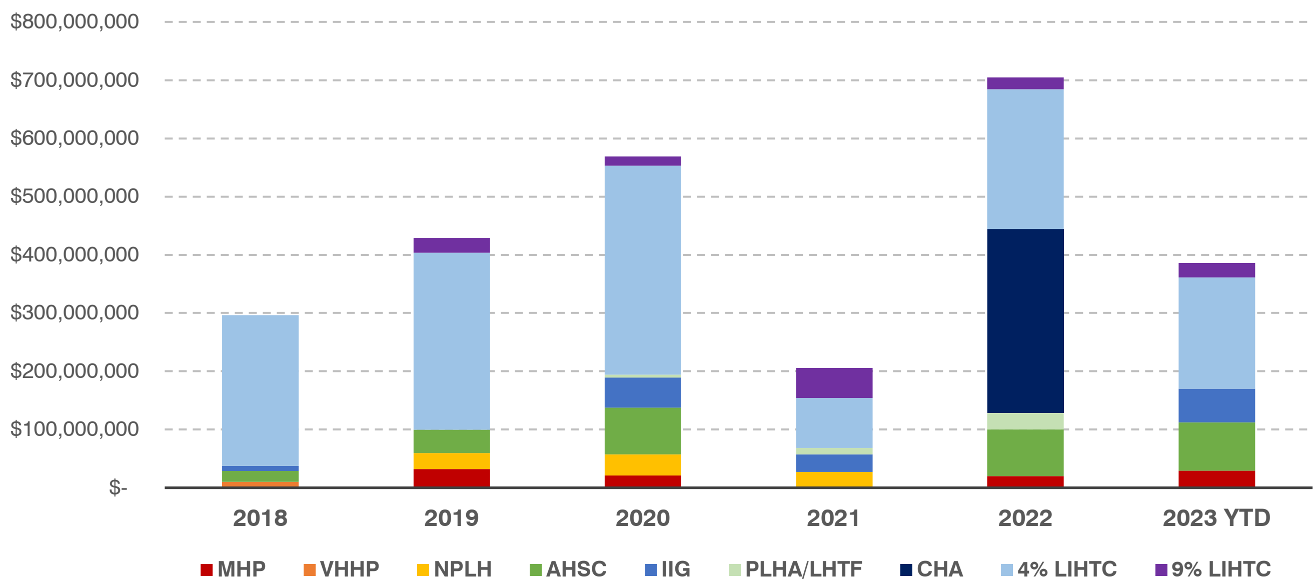
Figure 12. **Federal Funding Allocations (non-LIHTC) in San Francisco Affordable Housing (2022)**

Program Name & Type	*Amount Awarded*
Community Development Block Grant (CBDG)	$18,232,150
Emergency Solutions Grants (ESG)	$1,587,675
HOME Investment Partnerships Program	$5,571,635
Housing Opportunities for Persons with AIDS (HOPWA): Formula	$7,019,425
Housing Opportunities for Persons with AIDS (HOPWA): Competitive	$1,510,695
Continuum of Care (CoC)	$53,021,237

Source: HUD Awards and Allocations, Continuum of Care Award Report

As described in the Affordable Housing context section of this report, affordable housing developers working in San Francisco primarily rely on federal Low-Income Housing Tax Credits (LIHTC) and bonds as the largest single source of funding and financing sources for affordable housing production and preservation. While LIHTC and bonds are an essential piece of the financing puzzle for San Francisco affordable housing developments (Figure 13), and San Francisco-based projects have faced increasing difficulty securing these resources due to the highly competitive environment. This competition is largely a function of the 50% bond financing requirement currently in federal rules for 4% LIHTC. For projects to receive 4% LIHTC, they must fund 50% of their project costs with tax-exempt private activity bonds. Each state is allocated the greater of (1) $125 multiplied by the state's population or (2) $378,230,000 in volume cap for tax-exempt private activity bond issuance authority. In 2024, California was allocated $4.2 billion in volume cap, however, since 2019 California has had more demand than available bond funding. Limited bond funding has resulted in a limit on the amount of 4% LIHTC available and increased competitiveness. This was particularly challenging for San Francisco in 2021 when projects in the City received far fewer awards. In 2022 the situation improved largely due to the infusion of one-time federal and state funds. The future of LIHTC and bond awards to San Francisco projects remains uncertain without an increase in available funding.

Figure 13. Federal and State Funding in San Francisco Affordable Housing (2018-Present)



Source: Mayor's Office of Housing and Community Development (MOHCD)

Currently one of the largest federal housing programs is the Mortgage Interest Deduction (MID), which allows homeowners with a mortgage to deduct mortgage interest payments from their taxable income and pay less in federal taxes. The benefits to the MID go primarily to higher income homeowners who buy more expensive homes and the MID covers not only primary residences but also second homes, skewing the benefits to the well off.

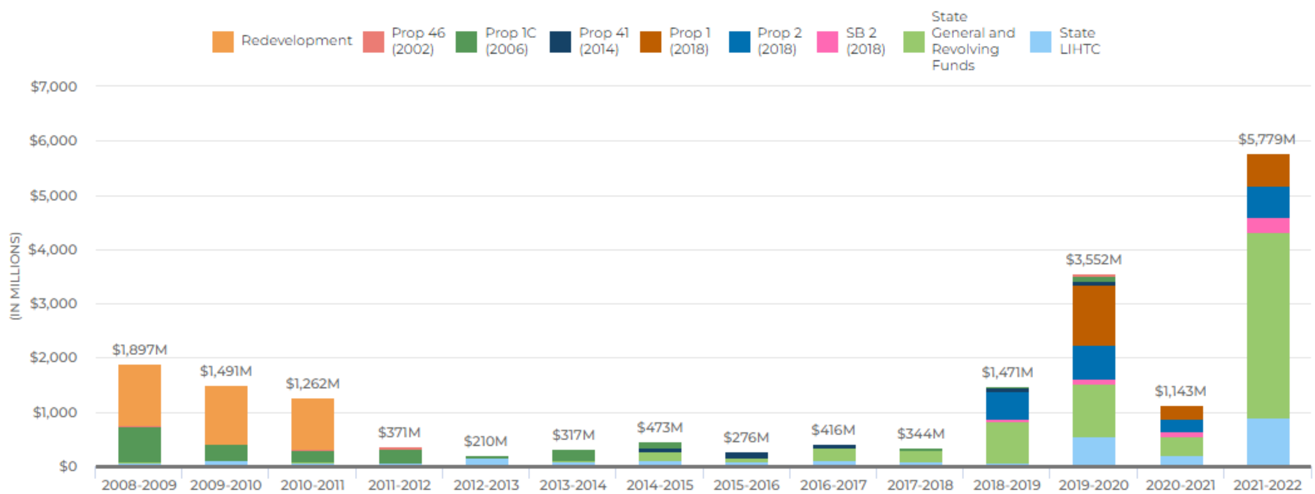
The future of federal affordable housing spending is dependent on leadership in Congress and the White House in the coming years. Proposals with more bipartisan support, such as improvements and expansion of LIHTC and the Section 8 Housing Choice Voucher program, may see more opportunities in sessions with a mixed majority across the House, Senate, and White House. Other, more expansive proposals to allocate a greater scale of funding to both the voucher programs and affordable housing construction programs will face a steeper political climb.

STATE CONTEXT

State funding also serves as an integral part of affordable housing development and finance by providing much needed subsidies or gap financing. Ensuring that developments have reliable access to capital and operating dollars allows developers to utilize federal LIHTC and tax-exempt bonds fully and more efficiently. However, the scarcity of state resources and the lack of coordination within the state housing finance system create barriers for San Francisco and many other California cities in reaching their unprecedented state mandated housing goals. It is within this context that the state has issued an ambitious goal of producing nearly 1.5 million homes affordable to low- and moderate-income households over the next eight years.

While California has invested unprecedented funding in affordable housing over the last several years, the scale of resources needed to achieve this goal is still not available. Since 2018, the state funding for affordable housing has been driven primarily by Prop 1 and Prop 2, passed in 2018, and significant state surpluses that allowed for discretionary investments from the General Fund (Figure 14). These surpluses in 2020 and 2021 were bolstered by federal relief funds, some of which were put towards housing. While much of this new funding went to longstanding affordable housing programs, most funds went to the new Homekey program, which provided funding for people experiencing or at-risk of homelessness through acquisition and conversions of hotels and motels as well as quicker-build options on publicly owned or leased land. San Francisco benefitted from these new investments, but the one-time funding does not provide the consistency to plan, build, and maintain the type of pipeline of developments needed to meet the state-mandated goals.

Figure 14. **State Housing Investments in San Francisco (FY 2008-09 to FY 2021-22)**



Source: Graph from California Housing Partnerships. Data from California Department of Housing and Community Development (HCD), California Strategic Growth Council (SGC), former Redevelopment Agency, California Tax Credit Allocation Committee (CTCAC), and California Business, Consumer Services, and Housing (BCSH) Agency.

California has a complex state housing finance system, which requires developments to apply to multiple state housing finance agencies to access subsidies, bonds, and tax credits. This leads to many inefficiencies, adds additional costs and further delays critically needed affordable homes. The state has already made some initial progress on this through AB 434 (Daly, 2020) and the Multifamily Finance Super NOFA with a single application process for the four primary programs administered by the California Department of Housing and Community Development (HCD).

The state's California Housing Accelerator Program (CHA) also provided an innovative solution to address bottlenecks in the state's housing finance system by creating a non-LIHTC path for affordable housing developments. In the past, CHA worked to address oversubscription by providing equity in place of what a limited number of developments would have otherwise received under the federal bond and LIHTC program. In pursuing an alternative path for securing the last stages of financing, the state circumvented the limits of the federal tax credit and bond system to move more developments forward.

California only has limited permanent sources of funding for affordable housing, with revenues that do not come close to meeting the scale of capital and operations needs across the state. The most significant ongoing funding source is a 25 percent continuous appropriation from California's Greenhouse Gas Reduction Fund (GGRF), which funds the Affordable Housing and Sustainable Communities (AHSC) program. The only other permanent source for affordable housing comes from a

$75 recording fee on real estate documents established by SB 2 (Atkins, 2017), which primarily funds the Permanent Local Housing Allocation (PHLA) program. The affordable housing sector regularly relies on one-time funding from voter-approved bonds and, more recently, from allocations from the General Fund, which fluctuate with the economic cycle. State bonds from Prop 1C, Prop 2, Prop 41 and Prop 46 are nearly depleted or have been completely allocated per HCD's 20-21 annual report, and no new state bonds have been passed since.

This constrained funding environment creates bottlenecks in the affordable housing pipeline, including San Francisco's, as demand for state funding continues to increase over time (Figure 15). The high demand for gap financing is illustrated by the most recent Multifamily Finance Super NOFA awards released in February 2023. The Multifamily Housing Program (MHP) alone received a total funding request of $2.87 billion, but only awarded $372 million to a subset of developments – an oversubscription rate of around 7 to 1. This left over 13,000 shovel-ready affordable homes in need of necessary subsidy gap financing. These developments would now need to seek alternative sources of funding or reapply in the next funding rounds, further delaying the development.

Figure 15. **Multifamily Housing Program (MHP) Oversubscription Over Time**

	Year	*Requested*	*Awarded*	*% Subscribed*
Round 1	2019	$1,006,849,882	$262,489,424	384%
Round 2	2020	$705,630,765	$310,411,171	227%
Round 3	2020	$986,137,880	$205,676,118	479%
Round 4	2021	$1,018,993,817	$223,743,262	455%
Round 5	2022	$2,493,593,256	$223,743,262	1114%
Round 6	2023	$2,646,622,284	$236,000,000	1121%

Source: California Department of Housing and Community Development (HCD), MHP Rounds 1-6

Due to the limited nature of available federal bonds and tax credits, many eligible developments are not able to secure the necessary funding to begin construction in a single year and need to reapply in future rounds – creating a bottleneck for critical housing opportunities and increasing holding costs. The same is now true for state subsidies as well, creating another bottleneck for developments before they can even apply for tax credits and bonds. Furthermore, demand for state and federal programs, such as state credits, MHP, and 4% LIHTC, has also fluctuated because of changing interest rate conditions and the lack of coordination between state housing agencies often leading to misalignment between the need and available resources. Due to these factors and conditions, developers must spend significant time and resources to continually reapply for these oversubscribed resources, with the wait and uncertainty adding additional costs from each month a development is delayed. Both the delays in funding developments due to oversubscription, as well as recent external factors like inflation have heightened the challenges of relying on multiple funding sources that are often not reliably in sync or coordinated. For example, in some cases, inflation has escalated development costs to the point that projects now require additional gap financing or bonds to be eligible for tax credits. Another example is that in 2022 HCD awarded $1.9 billion in California Housing Accelerator funds because the tax-exempt bond program was not aligned with the other funding programs. But a mere year later in 2023 CDLAC had $1 billion in unused bonds for new construction. Had there been any coordination across departments, the Accelerator subsidy could have leveraged bonds to produce far more units.

REGIONAL CONTEXT

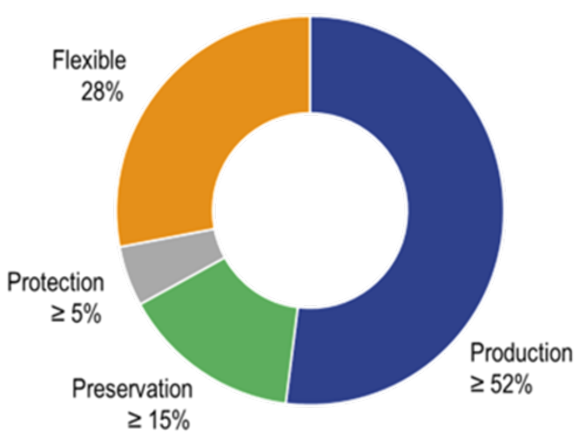
The Bay Area Housing Finance Authority (BAHFA) was created in 2019 (AB 1487, Chiu) to raise resources for affordable housing across the nine-county Bay Area, coordinate housing financing and policy across the region, and serve as a self-sustaining financing authority for the region. Currently, BAHFA is planning to place a $10-20 billion general obligation (GO) affordable housing bond for the nine-county Bay Area on the November 2024 ballot. The entity's enabling legislation specifies a return-to-source policy for revenue raised, and, in the case of a GO bond, at least 80 percent of all funds raised will go back to the county of origin based on their share of assessed property value.

This regional effort would raise much needed funding resources for affordable housing across the Bay Area, and San Francisco is poised to receive $1.2 billion or $2.4 billion from a $10 billion or $20 billion GO bond, respectively. Furthermore, San Francisco could expect additional resources from the bond to fund projects in the city due to the 20 percent of funds administered by BAHFA directly also being allocated to affordable housing and programs across all nine counties, including San Francisco. The funding from the bond would be more than the combined total funding generated by local affordable housing bonds approved in 2015 and 2019- could be more than double.

With the majority of BAHFA funds that San Francisco will administer directly, there is significant flexibility in how the funding can be spent, within the requirements in AB 1487:

- 52%+ for affordable housing production that prioritizes projects that will help meet the jurisdiction's extremely low-, very low- and low-income RHNA housing targets. This may be rental or ownership. Up to 120% AMI.
- 15%+ for affordable housing preservation; up to 120% AMI.
- 5%+ tenant protection programs (only if allowable via a state constitutional amendment)
- 28% flexible may be spent on any of the above housing uses and housing-related uses, like infrastructure and neighborhood amenities.
- Up to 5% of funds can be used for administration, including staffing.

Figure 16. **Bay Area Housing Finance Authority (BAHFA) Bond Allocation**



BAHFA-generated funds have the opportunity to dramatically increase the resources available for San Francisco to work towards its affordable housing goals. In addition, BAHFA has launched and is exploring additional housing finance functions and programs that San Francisco may be interested in partnering on or encouraging San Francisco-based developers to participate in; examples include a middle-income housing program and a welfare tax exemption preservation program.

THEMES

The Leadership Council's recommended actions to execute this recommendation are grouped into three themes, further detailed below:

1.A. Federal Affordable Housing Funding

1.B. State Affordable Housing Funding and Policies

1.C. Regional Affordable Housing Funding and Financing

1.A. Federal Affordable Housing Funding

San Francisco can continue and expand collaborative work with other cities, states, national and state advocates, and housing developers to support federal affordable housing policy and win more resources. Because of the potential for resources and policy at scale offered by the federal government, the Leadership Council uplifted the following recommendations that call for ramping up engagement on federal funding. These actions including advocacy in support of the Affordable Housing Credit Improvement Act (AHCIA) to lower the 50 percent bond test to 25 percent, to expand HUD funding such as Section 8, 202, and 811 programs, to leverage and optimize funding from the Inflation Reduction Act, and to unlock new funding sources and tax incentives to support affordable housing development. San Francisco cannot change federal policy alone and so working in coalition and partnership will be key.

1.A.1. Advocate for lowering the 50% bond test to 25% to expand availability of 4% Low Income Housing Tax Credits (LIHTC) and for expansion of 9% LIHTC

Current limitations on the use and availability of LIHTC constrain the amount of affordable housing that California, and San Francisco, can produce each year. Currently, projects using 4% LIHTC must finance 50% of the project cost with tax exempt bonds and federal rules limit the amount of tax-exempt bonds available to each state, effectively limiting the amount of 4% LIHTC. A 12.5% increase in 9% LIHTC, which took effect in 2018, also expired in 2021, resulting in fewer 9% resources.

The Affordable Housing Credit Improvement Act (AHCIA) of 2023 (H.R.3238/S.1557) would strengthen and expand LIHTC. Key provisions include lowering the 50% bond test to 25%, restoring the 9% LIHTC expansion, and 9% basis boost. If the 50% bond test is lowered to 25%, this could effectively double the number of affordable homes financed by 4% tax credits in California, increasing the pool from which San Francisco developments compete for resources. If the supply of bonds and credits were effectively doubled, San Francisco could also double its number of projects, if local funds were also available. It would also reduce unnecessary transactional costs. The 9% LIHTC expansion would be a 50% “cap increase” in housing credit resources, which could finance as many as 232,500 additional affordable rental homes over the next decade nationwide.

A recent effort in Congress, passed in the House and under consideration by the Senate, is the Tax Relief for American Families and Workers Act of 2024 (H.R. 7024), a tax package that contains two critical provisions that would strengthen and expand LIHTC. The tax package would extend the 12.5% increase to the 9% Credit and lower the 50% Private Activity Bond threshold test to 30% for 2024 and 2025, which would apply to properties financed by bonds issued before 2026 and expanding availability of 4% credits. Working alongside the ecosystem of affordable housing and community development stakeholders, and other cities and state governments, San Francisco can advocate for these federal changes in the current Tax Package and any future legislation.

Timing:	Short (0-2 years)
Type of change:	Legislative (Federal)
Issue area:	Enable/expand funding
Impact:	High If the supply of bonds and credits were effectively doubled, San Francisco could also double its number of projects, if local funds were also available.
Effort:	Moderate This will require bi-partisan support at the federal level and San Francisco would have to engage elected officials to support these pieces of federal legislation. The most likely opportunity to advance these efforts is a year-end tax-extender package.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	US Congress; Advocacy by affordable housing and community development stakeholders (e.g., ACTION Campaign), including state and local governments, like San Francisco;

LIHTC has helped fund thousands of affordable homes in San Francisco including at 16th and Folsom streets (top) and in the Hunters View HOPE SF development (bottom)

Source: [Casa Adelante | Tenderloin Neighborhood Development Corporation]

Source: San Francisco Planning Housing Affordability Strategies Report

1.A.2. Support efforts to win new funding for HUD Project-Based Rental Assistance and/or to allow direct project access to voucher subsidy

With the creation of federal rental assistance programs in the 1970s, Congress funded project-based rental assistance (PBRA) to directly fund affordable housing developments. PBRA was typically paired with HUD subsidized loans or grants and later with LIHTC to create more deeply affordable housing and support financial feasibility of developments. HUD directly administers PBRA to affordable housing developments in contrast to project-based vouchers, which local Housing Authorities must project-base in a development. PBRA provides deeper affordability by ensuring tenants pay no more than 30% of income for rent, even when they are extremely low or very low-income, providing deeper affordability than most affordable housing can achieve with typical capital subsidy like LIHTC. PBRA supports financial feasibility of developments because the rent assistance provided by HUD is closer to market rents than the affordable rent would normally be. The PBRA rents support new loans for construction or rehabilitation as well as ongoing operations. PBRA funding has been limited to renewing existing contracts, with no new PBRA offered for new projects in years. Currently in San Francisco there are an estimated 6,800 units in over 60 buildings with PBRA (these numbers do not include HUD 202 or 811 programs discussed in recommendation 1.A.5 or vouchers project-based through the SFHA).

Additional federal allocations for PBRA would be an important tool to address the needs of the lowest-income renters while supporting production and preservation of affordable housing. Though there is not an active bill at this time, proposals to fund additional PBRA have emerged in Congress and the White House. With the support from affordable housing and community development stakeholders and other state and local governments, San Francisco can advocate for federal funding for PBRA in future federal revenue and budget legislation.

Timing:	Long (4+ years)
Type of change:	Legislative (Federal)
Issue area:	Rent assistance, enable/expand funding
Impact:	High PBRA expansion would have the double benefit described above by providing more deeply affordable housing and ongoing funding for construction and maintenance.
Effort:	Most Complex PBRA has been frozen for a number of years at the federal level and while there have been proposals to grow it in recent years, they have not yet been approved. Political shifts as well as ongoing advocacy are likely needed to achieve expanded PBRA.
Equity priorities:	Deeper affordability, affordable housing production and preservation
Implementors:	US Congress and HUD; Advocacy by affordable housing and community development stakeholders, including state and local governments, like San Francisco

1.A.3. Pursue opportunities to increase leveraging of federal funding for local projects, especially through HUD programs, but also including other potential sources

San Francisco may not be leveraging all possible federal funding for housing, community development, economic development, and infrastructure available through federal programs that could provide investment in local communities. Potential federal programs include Promise Zones, Economic Development Administration programs, Promise Neighborhoods, infrastructure funding available through various agencies including green energy, energy efficiency, and broadband technology. The Justice 40 Initiative sets a Federal Government goal that "40 percent of the overall benefits of certain Federal investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution". This initiative could be leveraged to support investment in various equity communities in San Francisco including American Indian, Black, and other communities of color.

San Francisco City agencies working on housing, community development, and infrastructure can work with community organizations to identify federal funding opportunities and more aggressively pursue funding for applicable projects. City staff and community-based partners can also make more concerted efforts to work with federal officials in HUD and other key agencies in the local offices in the Bay Area as well as in Washington DC to help shape programs and expand opportunities.

Timing:	Short (0-2 years)
Type of change:	Administrative, partnerships
Issue area:	Capital funding, enable/expand funding
Impact:	Moderate While San Francisco could likely access some additional federal funds though available sources at this time might not be particularly large.
Effort:	Moderate Would require ongoing effort to monitor federal funding opportunities, apply and implement as well as ongoing engagement with federal officials and agencies.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	San Francisco City staff, federal agency staff, affordable housing developers, and community-based organizations.

AFFORDABLE HOUSING INVESTMENT IN ACTION:

Leveraging Federal Funding for Local Projects

Eighty-six-year-old Grant joined the Navy as a young man before finishing college and launching a decades-long successful career in the Computer Software. However, his struggles with memory loss and other health issues eventually spiraled into homelessness. Like her father, Regina, 65 was drawn to military service and joined the Air Force Reserve in the mid-1970s. After her military service, Regina struggled as a young single mother in San Francisco. Despite working as a Nursing Aide, her safety net of savings depleted quickly when she had to rely on hotel accommodations when affordable apartments were inaccessible. In 2016, she connected with social services who referred her to Swords to Plowshares' Service Center at 1060 Howard Street. When she shared her story at a support group there, a Swords to Plowshares staffer immediately acknowledged her identity as a veteran and connected her with housing support. After briefly bunking with her dad in his cramped one-bedroom during the pandemic, Regina and Grant took Swords to Plowshares staff's advice and applied to their newest housing development, the Maceo May Apartments. Located on Treasure Island, its 104 units include multi-room residencies for veterans with families. Father and Daughter moved in May 2023, quickly after the building opened. Now they have their own bedrooms, a private bathroom, and a kitchen. Regina describes the offer as, "winning the lottery."

Source: Department of Homelessness and Supportive Housing (HSH)
Image Source: Mithun

Permanent Supportive Housing is affordable housing with on-site supportive services to assist households in achieving housing stability. The City funds 10,000 units of PSH for families, TAY, and adults. Funding for Maceo May included LIHTC, Treasure Island generated funds, gap loan from MOHCD, and additional funding support from the State of California Veterans Housing and Homelessness Prevention Program, and several banking partners. The project was able to leverage federal funding with funds from City's Department of Homelessness and Supportive Housing's Continuum of Care program and the US Department of Housing and Urban Development's Veterans Affairs Supportive Housing (VASH) program.

1.A.4. Advocate for additional capital sources and tax benefits for affordable housing

Through funding, financing, and tax policy, by way of the Low-Income Housing Tax Credit program, federal programs have supported affordable housing development for decades. Currently, HUD offers funding for affordable housing through competitive and formula-based programs. Examples of HUD production funds include Community Development Block Grants (CDBG), HOME Investment Partnerships Program (HOME), Community Development Fund (CDF), Choice Neighborhoods Initiative, and the Yes in My Backyard (YIMBY) Grant Program among others. However, LIHTC and funding for these HUD programs have failed to meet the significant capital needs as localities work to scale the production of affordable housing.

Tax policy changes and additional funding could expand affordable housing production. At the federal level, efforts to expand capital sources for affordable housing production were introduced through legislation in 2023, specifically through The Housing Response Act of 2023 which would provide over $25 billion for affordable housing production to fund the construction, purchase, or rehabilitation of affordable homes for low-income people. Federal tax policy as well as federally insured financing have been major tools to support new housing development, including subsidized affordable housing development, as well as support homeownership. Expanding on these approaches could help to scale housing production across a range of affordability levels nationwide while also helping more moderate-income households achieve homeownership. The Affordable Housing Credit Improvement Act (AHCIA) of 2023 also includes several improvements to the Low-Income Housing Tax Credit program, beyond those discussed in Recommendation 1.A.1.

Advocating for these sources with affordable housing and community development stakeholders, San Francisco can support expanded appropriations to capital and operating programs and expanded or new tax programs to encourage affordable housing production at a significantly larger scale than currently enabled by existing resources and policies.

Timing:	Ongoing
Type of change:	Legislative (Federal)
Issue area:	Enable/expand funding
Impact:	- Moderate to High A range of tools and funding could be explored to expand funding and tax-related tools to encourage affordable housing production and preservation that could have significant impacts, however, this will depend on the scale and scope of proposals.
Effort:	- Moderate to Most Complex Work to develop new funding and tax initiatives for affordable housing will require efforts by housing policy experts and affordable housing and community development stakeholders, federal agencies, legislative leaders in the Capitol, and state and local governments, like San Francisco.
Equity priorities:	Affordable housing production
Implementors:	US Congress and HUD; advocacy by affordable housing and community development stakeholders, including state and local governments, like San Francisco

1.A.5. Support efforts to increase funding for Senior & Disabled Housing (202 & 811 programs)

The Section 202 Supportive Housing for the Elderly program and the Section 811 Supportive Housing for Persons with Disabilities program are federal funding programs through the U.S. Department of Housing and Urban Development (HUD). These programs provide operating subsidies for developments serving very low-income senior and very low- and extremely low-income adults with disabilities that can also be used to leverage debt for construction or rehabilitation. Section 202 funds affordable housing with supportive services for people 62 years of age or older and Section 811 provides funding to develop and subsidize rental housing with supportive services for very low- and extremely low-income adults with disabilities. According to most recent data, San Francisco has 33 HUD 202-funded buildings for seniors with over 2,650 units that have been built over decades. There are also 8-HUD 811 funded properties with around 135 units in the city.

Although federal funding is available for these programs, funding is very limited nationwide despite a huge need among seniors and people with disabilities. While the program has continuously been funded in recent years, disbursement has historically been slow. In 2023, the federal government allocated $1.075 billion for Section 202 Housing for the elderly and $360 million for Section 811 Housing for people with disabilities nationally. This year, there is a slight decrease in funding with $1.023 million for Section 202 to cover renewals of 118,205 existing units and $356 million for persons with disabilities providing renewal rental assistance for 31,249 existing units. This limited funding mostly covers renewals of rental assistance in over 140,000 units across the U.S. with funding available for nearly 2,000 new units nationwide—not enough to significantly meet needs across the nation. Waiting lists for Section 202 programs nationally for example, are usually at least two to five years long; this is a major challenge, especially for the older adults the program serves.

Senior and disabled advocates and affordable housing and community development stakeholders are vital in advocating for increased resources and defend against cuts to federal programs for Senior and Disabled Housing programs. In addition, San Francisco can also work with developers to ensure that there are no additional barriers to assembling a competitive application for these programs.

Timing:	Medium (2-4 years)
Type of change:	Legislative (Federal)
Issue area:	Expand/enable funding
Impact:	Moderate This action will aim to obtain more federal funding for vulnerable populations which San Francisco makes a point to support. In 2022, HUD allocated $1.075 billion for Section 202 Housing for the Elderly and $360 million for Section 811 Housing for People with Disabilities.
Effort:	Moderate Continued advocacy from San Francisco, alongside federal affordable housing organization and coalitions, is critical to advocate for increased resources and more efficient disbursement of funds, and to defend against cuts to these programs.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	US Congress and HUD; advocacy by affordable housing and community development stakeholders (e.g., LeadingAge), including state and local governments like San Francisco

AFFORDABLE HOUSING INVESTMENT IN ACTION:

Supporting Senior Housing

"The rent was so high. It was. It was eating me up. It's very nice, and very convenient. Washer and dryer is on the same floor. I have a parking space in the garage for my car. And you got your little dining area and you got your living room area. And then there's a very nice bathroom-it's very nice. And the bedroom is very nice."

- Resident living at the George Davis Senior Residence

Source: [California Health Report]
Image Source: [David Baker Architects]

Approximately 12,527 (44%) seniors occupy affordable housing units out of the total 28,297 City-funded affordable housing units. Senior units are often located in senior-specific buildings. In FY 20-21 and 21-22, San Francisco developed 485 housing units for seniors and expects to build and preserve 506 more units by 2025. Senior housing is usually funded through LIHTC, General Obligation bonds, Section 202, and other various federal, state, and local sources.

1.A.6. Advocate for the expansion of Housing Choice Vouchers (Section 8) and homelessness programs

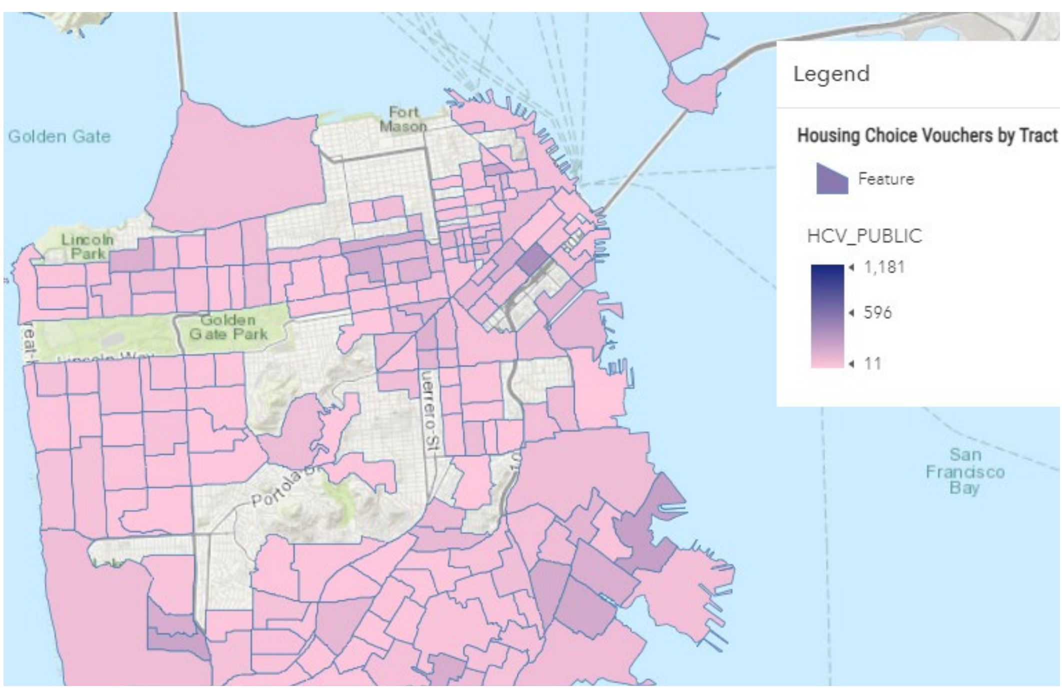
In addition to capital funding programs, federal resources for rental assistance and homelessness prevention and intervention are important for San Francisco and other cities around the country. These programs include the Section 8 Housing Choice Voucher Program, the Veterans Affairs Supportive Housing (VASH) voucher program, Continuum of Care (CoC), Emergency Solutions Grants (ESG), Youth Homelessness Demonstration Program (YHDP), Housing Opportunities for Persons with AIDS (HOPWA), and Title V. These programs serve vulnerable populations at the lowest incomes who have dire housing needs. However, funding for the Housing Choice Voucher Program and other federal rental assistance and homelessness prevention programs do not come close to meeting the significant need.

Housing vouchers are effective at reducing homelessness, housing instability, and improving overall outcomes for people experiencing high housing cost burden or even homelessness. The expansion of availability of these vouchers would mean a reduction in homelessness and expanded access to more deeply affordable homes for the lowest income households. These vouchers would also support the development of affordable housing units for ELI households by leveraging the voucher rents towards debt to fund construction. At the federal level, efforts to expand voucher availability and accessibility were introduced through legislation in 2023, including: S. 32 Choice in Affordable Housing Act, S.1257 Family Stability and Opportunity Vouchers Act of 2023, The Housing Response Act of 2023, The Ending Homelessness Act of 2023.

San Francisco greatly benefits from programs like Section 8 and other homelessness programs that serve vulnerable populations in the city. As mentioned in the Context section, SFHA administers HCVs, or Section 8, to 12,553 households. In January of 2024, SFHA awarded 125 project-based vouchers to be distributed to nine new properties to the PBV portfolio. While San Francisco can do more to utilize and maximize the impact and effectiveness of existing vouchers, advocacy is essential to maintain and grow current investments and expand voucher availability to meet the need. Along with housing and homelessness advocates, San Francisco can advocate for the expansion of Housing Choice Vouchers and homelessness programs at the federal level.

Timing:	Medium (2-4 years) and Ongoing
Type of change:	Legislative (Federal)
Issue area:	Expand/enable funding
Impact:	High Additional Section 8 Housing Choice vouchers can have a large impact on helping extremely low income and formerly unhoused people find a stable home as well as helping to fund affordable housing through project-based vouchers.
Effort:	Most Complex There have been a number of recent Congressional legislative proposals to expand Section 8 vouchers, however, the program funding has been stagnant for many years. San Francisco will need to work as part of a broad coalition to win a voucher program expansion.
Equity priorities:	Deeper affordability, housing options in well-resourced areas
Implementors:	US Congress and HUD; advocacy by affordable housing and community development stakeholders (e.g., National Low Income Housing Coalition, Enterprise Community Partners, etc.), including federal and local governments, like San Francisco

Housing Choice Vouchers serve thousands of renters in throughout San Francisco



Source: Data from Department of Housing and Urban Development (HUD), US Census. Map data from Bureau of Land Management, Esri, HERE, Garmin, USGS, NGA, EPA, USDA, NPS.

1.A.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

Homeownership strategies have unique significance for communities of color who have faced historic discrimination within homeownership policies and practices throughout US history, including redlining, racial restrictive covenants, and discriminatory lending practices. These disparities in homeownership track closely with racial disparities in wealth, which is often built over generations, primarily through property ownership. The federal government primarily supports homeownership through the Home Mortgage Interest Deduction, which allows homeowners to deduct a portion of their mortgage interest on their taxes, resulting in a substantive benefit to their overall tax burden. Low- and moderate-income homeowners are less likely to benefit from the Home Mortgage Interest Deduction, however, as it requires itemized tax filings and benefit is proportionate to the cost of the home purchased and size of the mortgage. Reforms could re-focus federal homeownership tax credits on low- and moderate-income households and first-time homebuyers for whom homeownership and wealth building is a challenge.

Additional strategies are available and proposed to support homeownership at the federal level, with a specific focus on low- to moderate-income households. The federal government current offers several first-time homebuyer support programs, which offer lower cost debt, including the Federal Housing Administration (FHA) loan program as well as the more targeted Veterans Home Loan Program and Indian Home Loan Guarantee Program. The Housing Choice Voucher (HCV) Homeownership program is also offered by a select number of Public Housing Agencies for households that are assisted under the HCV program, which is severely oversubscribed.

The Biden-Harris Administration's Housing Supply Action Plan includes additional proposals to further these goals, some of which have already been implemented. For example, the Federal Housing Administration announced a new policy in October 2023 that would allow prospective or current homeowners to include projected rental income from an ADU as part of the qualifying income when purchasing or refinancing a home with FHA financing. Fannie Mae also offers loans that can be used by eligible borrowers to purchase or refinance a home with an existing ADU, while considering the rental income generated from an ADU to help applicants qualify for the loan. Expanded funding for the HOME Investment Partnership Program as well as the Community Development Block Grant (CDBG) program, are also essential tools for affordable homeownership – HOME for new construction and CDBG for acquisitions; increased appropriations for these programs have the potential to support additional homeownership opportunities. The proposed Neighborhood Homes Investment Act would provide new tax credits for the development and renovation of 1–4-unit housing to support homeownership. The proposed Middle-Income Housing Tax Credit is another potential vehicle to support the production of new housing for moderate-income households, in conjunction with state bond programs.

Homeownership provides housing stability for low- and middle-income residents, and with affordable housing and community development stakeholders as well as economic and financial justice advocates, San Francisco can advocate for new federal programs, increased appropriations to existing programs, as well as relevant reforms to support homeownership and small multifamily housing.

Timing:	Medium (2-4 years)
Type of change:	Legislative (Federal), administrative (Federal)
Issue area:	Homeownership, capital financing, and cost-lowering
Impact:	- Targeted to Moderate The financial scale of the programs would directly impact the number of San Francisco households that would be able to benefit. Current investments to these programs are minor, so the impact in San Francisco is quite small.

Effort:	Moderate While federal changes require significant political will and effort, homeownership programs, as well as ADU's, have received more attention in recent years and hold more bipartisan support.
Equity priorities:	Homeownership
Implementors:	US Congress; FHA; advocacy by affordable housing and community development stakeholders, including state and local governments, like San Francisco

1.A.8. Advocate for increases to Faircloth rents to levels that cover operating costs

San Francisco hopes to utilize Faircloth to RAD vouchers from HUD as part of new construction projects and to stabilize existing properties. However, rents under this program are set at the public housing contract rents, which have chronically been at unsustainably low levels making it unfeasible to create new housing units. These rents are not set at 110% of the HUD Fair Market Rent (FMR), which is used for the Section 8 voucher program. These contract rents amount to only 30-33% of MOHCD AMI depending on the unit size, which is far below the typical 50% AMI rents MOHCD projects are needed to operate at a break even level. In July 2023, HUD issued a supplemental notice that allows some options to increase rents for Faircloth to RAD vouchers using a PHAs HAP reserves. However, that notice set significant limits on the amount of units that could be applied to in a given project (25%-40%) and only allows these increases in certain zip codes.

To make this program viable for PHAs that are not part of the Moving to Work (MTW) demonstration program, HUD could either use its regulatory authority to increase the initial contract rents available under the Faircloth to RAD program or increase flexibility for using HAP reserves to top off the contract rent amounts. Without this additional flexibility, the program requires the use of limited full value Section 8 vouchers to be a viable source for projects in San Francisco. MOHCD, elected officials and partners should consider advocating for these changes at HUD, which HUD officials seem open to addressing based on prior conversations.

Timing:	Medium (2-4 years)
Type of change:	Administrative (federal)
Issue area:	Expand/enable funding, rental assistance, operating subsidy
Impact:	High This would provide San Francisco with thousands of additional vouchers that can be used to expand the number of deeply affordable units in the new construction pipeline, as well as stabilize existing deeply affordable properties.
Effort:	Moderate Requires collaboration with SFHA, lobbying, receptive officials at HUD, and going through federal regulatory processes.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	SFHA; Advocacy by affordable housing and community development stakeholders, including state and local governments, like San Francisco

1.A.9. Support efforts to invest federal employment development funding to increase skilled construction workforce

Skilled construction workers in various specialties can take years to train but the construction industry unfortunately has been losing skilled labor. Over the last 15 years major disruptions in the construction industry have thinned the ranks of skilled labor including the financial crisis and Great Recession beginning in 2008 that devastated housing construction for years and the COVID-19-related work stoppage and supply chain disruption beginning in 2020. Thousands of skilled trades people and construction workers have left the industry and not been replaced both nationally and locally. High cost of living in the San Francisco Bay Area, low unemployment, and shifts in career paths have contributed to the shortage of skilled construction workers. As a result, contractors must often account for lack of skilled labor in planning project budgets and timelines, adding to delays and costs.

Programs to train people in construction trades can have a double benefit of providing higher wage jobs without a college degree and supporting housing development. At the federal level, there has not been consistent alignment of federal workforce development programs with the needs and opportunities in construction. But that trend that may be changing. In 2021, the Bipartisan Infrastructure Law expanded investments in transportation infrastructure and building a clean energy economy. The law sets aside $800 million for workforce development in underserved communities. Part of this law includes the Build America, Buy America Act, a procurement preference for construction materials in infrastructure projects to be produced in the United States, supporting expansion of domestic construction and manufacturing jobs. The American Rescue Plan additionally invests $40 billion to expand and build a skilled workforce through pre-apprenticeships and apprenticeships, specifically related to infrastructure. While this funding could help with workforce development, San Francisco has not been able to leverage this funding due to strict eligibility requirements and the timing for deployment of the funds.

While these two federal funding sources augment workforce programs, it is important to note that these are both one-time infusions to boost training programs. Ongoing federal funding and focus are needed to grow and develop a sustainable construction pipeline and support local residents. In addition, construction is planned by a project-by-project timeline, with approximately nine-month timeframes. Therefore, funding requirements can be flexible to these terms. Ongoing, flexible funds would increase capacity and support the City's long-term infrastructure and housing needs.

Timing:	Long (4+ years)
Type of change:	Legislative
Issue area:	Enable/expand funding
Impact:	High Scarcity of skilled labor is having a big impact on housing development costs nationwide but especially in higher cost areas like San Francisco and other parts of California.
Effort:	Most Complex This would require political advocacy at the federal level by the City and industry partners as well as implementation to train thousands of workers nationwide.
Equity priorities:	Affordable housing production, equity community capacity
Implementors:	OEWD, housing advocates, trades, lobbyists, construction industry partners

1.A. EQUITY CONSIDERATIONS

Expanded federal funding for affordable housing would have huge benefits for reducing poverty and homelessness. It would help to expand safe, quality housing options while creating hundreds of thousands of jobs in construction and give people better access to jobs and other opportunities. Programs could also substantially reduce inequality, increase housing stability and affordability for lower-income households, and provide pathways to build wealth for low- and moderate-income households.

Full equity impacts depend on the scale of investment and how programs are deployed, including ensuring they reach the lowest income people and those with the most severe cost burden around the country. Capacity building for communities around the country would help to ensure that diverse organizations are able to access and use funding and equity communities, including American Indian, Black, and other communities of color, are able to access programs. There are also important equity tradeoffs to balance when it comes to investments in rental and homeownership models. While new revenue is a priority, there are often discussions about how to prioritize investments within the issue area of housing. In these discussions, it is essential that San Francisco, and the larger ecosystem of housing and equity partners, consider the tradeoffs and who benefits principally from the Mortgage Interest Tax Deduction, which is still the largest federal housing program. The MID's disproportionate benefit to higher-income homeowners, and second homeowners, does not align with the communities most impacted by the housing and homelessness crisis.

Local-level decisions could also have an impact on how successful federal investment would be, including allowing more housing in general and ensuring that affordable housing is built in both higher resource areas as well as historically disinvested or gentrifying areas.

1.B. State Affordable Housing Funding and Policies

The Leadership Council recommended various actions to advocate for state reform to expand state resources through ballot measures and legislative reform. The actions are described in more detail below. These actions include advocating for a state bond measures, supporting efforts to reform Prop 13 as it applies to commercial properties, advocating for permanent state funding for affordable housing, increasing coordination between state housing agencies, and replacing certain powers lost from the dissolution of redevelopment agencies.

ACTIONS

1.B.1. Support Assembly Constitutional Amendment (ACA) 1 for 55% voter threshold for local funding

The California Constitution currently requires a two-thirds supermajority of voters to approve local general obligation (GO) bonds and special 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 under the two-thirds-thirds majority rule preventing much needed affordable housing construction and public improvements from occurring.

California Assembly Constitutional Amendment (ACA) 1 would amend the California Constitution to lower to 55% the two-thirds voter threshold currently required for affordable housing and public infrastructure. ACA 1 would create a more democratic process for voters and create parity between school districts and cities, counties, and special districts, so that all local governments have the necessary tools to raise the funds to address community needs, including affordable housing. If ACA 1 is successful, San Francisco could more easily raise and obtain the funding needed to increase the supply of affordable housing, and to address the numerous local public infrastructure challenges SF is facing through bonds and/or special taxes. It would also make it easier to pass a regional housing measure, from which San Francisco will benefit greatly, and any local measure on or following the November 2024 election. Working alongside the ecosystem of affordable housing and community development stakeholders, San Francisco stakeholders can advocate for the successful passage of ACA 1.

Timing:	Short (0-2 years)
Type of change:	Legislative (state)
Issue area:	Enable/expand funding
Impact:	High The existing local two-thirds vote for bond measures is often unattainable in many communities and it could facilitate San Francisco receiving \$1.2 billion or \$2.4 billion from the \$10 billion or \$20 billion regional GO bond, respectively.
Effort:	Most Complex This will require voter approval all over the state and requires supporting the upcoming clean-up legislation for this measure to ensure it achieves the intended affordable housing goals and that it is viable with voters.
Equity priorities:	Affordable housing production, affordable housing preservation

Implementors:	State Legislature and California voters; advocacy by affordable housing and community development stakeholders (e.g., Californians for Affordable Housing Now), including local governments, like San Francisco

1.B.2. Support passage of 2024 ballot measure to reform MHSA and pass $6B bond

Over 173,000 Californians are experiencing homelessness based on the most recent point-in-time count from January 2022. Of these, over 115,000 experience unsheltered homelessness, meaning they sleep in cars, streets, and parks among other places. California also has a shortage of 4,767 psychiatric beds and 2,963 community residential beds for people with varying acuities of behavioral health conditions. The scale of these issues in California requires significant resources for affordable housing and services, as well as behavioral health system reform.

Championed by Governor Newsom, Proposition 1, the Behavioral Health Services Program and Bond Measure, will be on the March 2024 state ballot and will require a simple majority of voters to pass, 50%+1. It includes the following provisions:

- $6.38 billion bond to fund the following:
  - $2.893 billion for behavioral health treatment and residential facilities under the Behavioral Health Continuum Infrastructure Program (BHCIP), including mental healthcare and substance use disorder treatment facilities.
  - $1.5 billion for grants specific to counties, cities, and tribal entities for behavioral health treatment and residential facilities under BHCIP
  - $1.065 billion for permanent supportive housing for homeless veterans who have mental health or substance abuse disorders
  - $922 million for permanent supportive housing for people experiencing or at-risk of homelessness and have behavioral health needs
  - Developments funded by the bond will be eligible for streamlined approval processes if they meet specific criteria.
- Expand and reform the Mental Health Services Act (MHSA) (2004) to include treatment for substance use disorders, rename it into the Behavioral Health Services Act, and change how revenue received by counties from the 1% tax on incomes above $1 million is spent, specifically:
  - 30% of revenue is spent on housing intervention programs, which can include operating costs for permanent supportive housing
  - 35% of revenue for behavioral health services and supports, which includes supporting workforce education and training, early intervention, and innovation
  - 35% of revenue for full-service partnership programs to support individuals with complex needs

Advocacy for the successful passage of Proposition 1 is led by mental health advocates, affordable housing and community development stakeholders.

Timing:	Short (0-2 years)
Type of change:	Ballot measure
Issue area:	Enable/expand funding
Impact:	Targeted

	$1.065 billion for permanent supportive housing and veterans housing is significant due to the high need of subsidies they require. Once NOFA is available, San Francisco could apply to the Behavioral Health Continuum Infrastructure Program that would be established by HCD. Information on the application process and funding details will be available once HCD issues implementation guidance by July 1, 2025.
Effort:	Least Complex Prop 1 is a bipartisan signature initiative of Governor Newsom and will be the only bond measure on the March 2024 ballot. It requires a simple majority of voters to pass and has a likely easy path on the ballot.
Equity priorities:	Affordable housing production
Implementors:	California voters; advocacy by affordable housing and community development stakeholders, including local officials in cities like San Francisco

1.B.3. Advocate for a State Housing Bond in 2024 and in future years

California only has limited permanent sources of funding for affordable housing, with revenues that do not meet the scale of capital and operations needs across the state. The affordable housing sector regularly relies on one-time allocations from the General Fund, which fluctuate with the economic cycle, and funding from voter-approved bonds. The Governor's proposed 2024 January budget projects a $38 billion deficit and significant budget cuts across housing programs. Given this fiscal environment, allocations from the General Fund this year is highly unlikely, further underscoring the need for a bond to maintain investments in affordable housing.

A $10 billion affordable housing and homelessness bond proposed in Assembly Bill (AB) 1657, authored by Assemblymember Buffy Wicks, is being considered for November 2024. This potential bond builds on the success of statewide bonds in the past, including The Veterans and Affordable Housing Bond Act, 2018, $3 billion; The Mental Health Services Act, 2016, $2 billion; and The Veteran's Bond Act, 2008, $900 million. The bond is currently proposed to include:

- $5.25B for Multifamily Housing Program with 10% for extremely-low-income households
- $1.75B for Multifamily Housing Program for Permanent Supportive Housing
- $1.5B for Preservation (Portfolio Reinvestment Program, Low-Income Weatherization Program, acquisition-rehab preservation program similar to Senate Bill (SB) 225, authored by Senator Caballero, which would create the Community Anti-Displacement and Preservation Program)
- $1B Homeownership Programs
- $500M Tribal and Farmworker Programs

The final determination of whether a housing bond will advance this year, as well as the final dollar amount of will be determined by negotiations between the Governor and Senate and Assembly leadership, balancing competing state priorities and limited bonding capacity. If a bond is placed on the ballot, voters must approve it by a simple majority of 50%+1.

San Francisco stakeholders, affordable housing and community development stakeholders can advocate to put a state affordable housing and homelessness bond on the November 2024 ballot and support its successful passage. Additional state bonds could be placed on the ballot in future years as revenue from a 2024 is expended, as the state has routinely done in the past.

Timing:	Short (0-2 years)

Type of change:	Ballot measure
Issue area:	Enable/expand funding
Impact:	Moderate In 2022, San Francisco projects received 6% of funding from the statewide SuperNOFA for the MHP program. Based on this average, San Francisco could expect to receive about $600M from a $10 billion statewide bond.
Effort:	Most Complex The Legislature would have to pass AB 1657 by mid-2024, but the significant state budget deficit has limited the state's bonding capacity. Voters would then need to pass the subsequent state bond measure in November 2024.
Equity priorities:	Affordable housing production, deeper affordability, homeownership, affordable housing preservation
Implementors:	State Legislature and California voters; advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

Projects funded through MHP or other bond funded projects have been built throughout the city. Seen below is Taylor Family Housing

Source: Tenderloin Neighborhood Development Corporation

1.B.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

A variety of state agencies including CalHFA, HCD, TCAC, CDLAC, and SGC control and administer billions of dollars in affordable housing funding across the state. Each of these funders currently have different goals, allocation processes, and funding timelines. Many of these competitions currently disadvantage San Francisco and other large urban centers. Often negotiations have come down to regional competitions for more resources. However, large cities are generally aligned at a public policy level since they are job centers with transit and density that make infill development more impactful for addressing climate change and providing lower income residents with access to jobs, services, and educational opportunities. The recent scoring criteria to implement Affirmatively Furthering Fair Housing (AFFH) and cost controls have disadvantaged central city infill projects in favor of suburban developments and have not fully aligned with the state's climate and workforce goals. One example is how the AFFH scoring at CDLAC and HCD often directly counteracts climate goals by prioritizing projects far from transit and walkable amenities. While San Francisco has coordinated with Oakland and San Jose in the past, there has not previously been coordination on regulatory matters with San Diego, Los Angeles, Long beach, Sacramento, and Fresno.

San Francisco can consider coordinating with all big-city mayors statewide to advocate for holistic changes to the financing programs so that they correctly prioritize state goals for greenhouse gas reduction, AFFH, community stabilization and cost reduction in ways that take into account the full value and cost of building denser infill developments in central urban locations.

Timing:	Short (0-2 years)
Type of change:	Administrative, best practices, partnerships
Issue area:	Capital funding
Impact:	Targeted While this will not expand the amount of funds available, it will make San Francisco more competitive for funds and better allocate them to high impact projects. This could ideally facilitate multiple additional funding awards per year, reducing city subsidy needed for projects and moving the pipeline forward.
Effort:	Moderate Advocacy will need to appeal to shared goals across cities which have typically been pitted against each other in funding competitions. There are clear shared goals to facilitate this as long as all parties are interested in participating.
Equity priorities:	Affordable housing production
Implementors:	Implemented by CDLAC, MOHCD, Mayor's Office; Advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.5. Support efforts to increase coordination between state agencies in the allocation of funding

California has a complex housing finance system, with various funding sources administered by several different agencies that lack coordination. This structure requires affordable housing developers to apply for funding from multiple agencies through different funding rounds, creating inefficiencies that increase development timelines and transaction costs.

Several steps have already been taken to address these challenges, but more work is needed. AB 519 (2023), authored by Assemblymember Pilar Schiavo, established an affordable housing finance workgroup to develop recommendations for a consolidated application for state-administered programs, including LIHTC and tax-exempt bonds by 2026. By creating a "one-stop shop" where the state has a single-application process for all affordable housing resources across departments, awards can be made through a single process, further streamlining the development timeline and ramping up affordable housing production. This builds on the work already underway through AB 434 (2020, Daly), which created a single applications and awards process for HCD-administered programs. The first two rounds of HCD's Super NOFA implementing this reform were released in 2022 and 2023. Previous efforts from AB 2305 (2022, Grayson) also sought to establish the Coordinate Affordable Housing Finance Committee to allocate state-controlled funds for affordable housing through a single application and awards process.

California could also follow in the footsteps of other states such as Oregon and Minnesota have demonstrated success by implementing a wait list for bonds and LIHTC. Currently, many developments need to invest a lot of time and money to reapply to multiple funding rounds until they receive an award. Adopting a wait list would make the system much more predictable and cost-efficient by reducing transaction costs.

Advocacy from affordable housing and community development stakeholders can support increased coordination between state agencies in the allocation of funding and make it more efficient to access funding from various state and federal programs administered by state agencies.

Timing:	Long (4+ years)
Type of change:	Administrative, legislative
Issue area:	Enable/expand funding
Impact:	Targeted The California Housing Partnership estimated that a one-stop shop could help reduce costs by as much as $47,400 per door.
Effort:	Least Complex The recommendations will be released by the affordable housing finance working group by 2026 and AB 434 implementation is already underway.
Equity priorities:	Affordable housing production
Implementors:	State housing agencies, such as the Business, Consumer Services, and Housing Agency, the California Department of Housing and Community Development, California Housing Finance Agency, California Tax Credit Allocation Committee, California Debt Limit Allocation Committee; advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.6. Increase flexibility to apply property tax abatements to housing restricted to moderate incomes

Current state law allows for low-income rental housing, owned and operated by a qualifying nonprofit organization, to receive an exemption from property taxes, if residents of the housing earn less than 80 percent of the area median income (AMI); this provision is a type of welfare tax exemption (WTE). In response to a growing need and local priority to build more housing affordable to moderate-income households, there have been efforts in recent years to expand tax exemption for housing affordable to households up to 120 percent of AMI through an alternative provision: government ownership, often via a joint powers authority (JPA) with a local government. These JPA models often also leverage a local government's authority to issue bond financing. The Bay Area Housing Finance Authority (BAHFA) is currently exploring such a program (discussed in Recommendation 1.C.2). These JPA's, however vary widely in the compliance and public benefits requirements, which has generated criticism and growing interest in creating a pathway for a WTE for housing serving households up to 120 percent AMI directly in state law, with appropriate public benefit guardrails.

Legislative efforts to address this issue have been introduced but never seen success (e.g., AB 3152 (Chiu, 2018); AB 1734 (Chiu, 2019); AB 2829 (Ting, 2020); AB 1553 (Lowenthal, 2023)). There is an opportunity for the City to work with other engaged stakeholders to pursue this effort again in earnest in the legislature, including considerations for a potentially more targeted approach that prioritizes certain geographies across the state, either related to high-cost areas and/or areas with significant vacant commercial real estate that may be priorities for revitalized through more mixed uses. Advocates can promote more moderate-income housing by expanding property tax abatement to cover households up to 120 percent of AMI.

Timing:	Short (0-2 years)
Type of change:	Legislative (state)
Issue area:	Moderate-income housing
Impact:	Moderate This tax exemption may be enough to make moderate-income housing developments in some parts of San Francisco financially viable, without which they would be able to move forward.
Effort:	Moderate This effort has faced historical opposition in the legislature, but there may be a new opportunity to revisit due to the changing nature of redevelopment in historic downtowns.
Equity priorities:	Affordable housing production
Implementors:	California Legislature and County Assessors; advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

Recommended Action 1.B.7. Support efforts to increase access to affordable property insurance

The US is facing a housing-industry-wide insurance crisis, with acute and unique impacts to the affordable housing industry in California. The Annual Monitoring Reports submitted for the 330 affordable housing sites in MOHCD's portfolio show that annual insurance costs increased 71 percent overall (an increase of $8.6 million) from 2017 to 2021. The insurance cost increases shown here have only become more dramatic in the two years that have ensued since the data was collected, and data from across California shows increases ranging from 50 to 500 percent. Housing providers are facing limited availability of insurance, significant premium and deductible cost increases, and reductions in the scope and quality of coverage; these issues are present in property, liability, and builder's risk insurance. Drivers of cost increases and access limitations include:

- Climate risks, especially wildfires and floods, which have prompted insurers to exit California
- Discrimination in risk assessment for permanent supportive housing and low-income housing
- Claims history and property financial performance

In September 2023 Governor Newsom and Insurance Commissioner Lara announced an Executive Order and companion regulatory changes to try to address insurance issues, but, while important, these regulatory actions are not likely to yield significant relief for the affordable housing industry in California, at least not in the short- or medium-term. In close collaboration with affordable housing providers, associations and advocacy groups, and state and federal leaders, San Francisco can engage in broader reforms and programs, including:

- Emergency financial relief for affordable housing providers at risk of extreme financial precarity and/or default because of insurance cost increases;
- Greater transparency and data collection about rate increases and changes in coverage, including information about why rates and changes are being made and inputs into any new modeling tools available to insurance companies;
- Ensure that affordable housing providers are not forced to pay for policies at rates out of sync with their risk and claims history, especially if the organizations are putting risk-mitigation and best practices for building management and climate resilience in place;
- Implement regulations in partnership with the Insurance Commissioner to prevent exorbitant and/or disproportionate increases for insurance for smaller sized multifamily properties
- Creating insurance programs and/or group policy options specific for multifamily affordable housing;
- Adjustments to housing financing programs guidelines to reflect the new insurance reality.

Working alongside the ecosystem of affordable housing and community development stakeholders, San Francisco can advocate for these necessary changes to insurance regulation, policy, and programs.

Timing:	Medium (2-4 years)
Type of change:	Legislative (federal, state), administrative (federal, state), partnerships
Issue area:	Cost lowering, housing provider sustainability
Impact:	High Untenable insurance costs pose a significant threat to the financial viability of affordable housing; improving cost and access could help more projects to be financially viable.
Effort:	Most Complex

	The private insurance and reinsurance markets are complex private systems facing global challenges within a changing climate and layered public regulation, and crafting effective policy, while being attentive to unintended consequences, is a challenging.
Equity priorities:	Affordable housing production
Implementors:	US Congress, federal housing and insurance regulators, California Legislature, California Insurance Commissioner; advocacy by affordable housing and community development stakeholders, including state and local governments, like San Francisco

1.B.8. Support Prop 13 reform as it applies to commercial property taxation

Prop 13 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 housing. These constraints have significantly reduced local tax revenue and the ability of jurisdictions to generate additional revenue, severely limiting the level of investments towards infrastructure and public services such as affordable housing.

Split-roll reform is a Prop 13 reform effort 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. The measure also included a phase-in provision for commercial properties with majority small business tenants. 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. Split-roll was last attempted in 2020 through Proposition 15: Schools and Communities First, which narrowly failed to reach the required simple majority with voters – it reached 48 percent. The primary organizations leading the Schools and Communities First coalition include Power California, PICO California, California Calls, Evolve California, League of Women Voters of California, the California Federation of Teachers, and the ACLU. These organizations are exploring bringing a similar split-roll initiative back on the ballot as early as 2026, although exact timing is yet to be determined.

San Francisco can work with other cities, affordable housing and community development stakeholders, and other groups concerned with funding for public services can advocate for the passage of a split-roll reform, like the 2020 Prop 15 measure, to unlock significant new revenue for affordable housing, local infrastructure, and community services.

Timing:	Long (4+ years)
Type of change:	State constitutional, ballot measure
Issue area:	Enable/expand Funding
Impact:	Transformational The most recent total assessed value of commercial and industrial properties in San Francisco is over $109 billion dollars. However, many of these properties are taxed well below their current value, limiting the amount of revenue that is generated for the city. 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.

Effort:	⚙⚙⚙ Most Complex A statewide ballot initiative involves a significant amount of effort and resources, with over 800,000 verified signatures required simply to qualify.
Equity priorities:	Affordable housing production
Implementors:	California Voters; Advocacy by affordable housing and community development stakeholders (e.g., Schools and Communities First coalition), including local governments, like San Francisco

1.B.9. Advocate for budget allocations and ongoing set-asides as permanent sources to fund affordable housing production, preservation, and operations

As discussed above, California has limited permanent sources of funding for affordable housing, with SB 2 and the Affordable Housing and Sustainable Communities program being the exceptions, and these programs do not provide funding at the scale of the need. Affordable housing projects rely heavily on allocations from the state general fund when advocates can win these allocations in the budget process or from one-time revenue measures like bonds, which are only eligible for capital uses. The shortage of operations funding is driving many of the operations challenges currently facing housing providers managing older buildings and buildings serving extremely low-income tenants with high service needs.

A permanent source for affordable housing production, preservation, and operations would provide consistent investments regardless of the status of the state budget and without relying on sending new revenue measures to voters every few years. It is imperative to achieving California's housing goals that a permanent source provides funding for operating subsidies due to their critical role for affordable housing developments serving extremely low-income households. While HUD project-based vouchers provide the most significant level of operating subsidies, the number of available vouchers is currently limited (as discussed in the prior section), requiring state and local governments to fill the gap.

There have been several recent efforts to create a permanent funding source at the state, but none have been successful to date. First, AB 71 (2021, L. Rivas) would have closed corporate tax loopholes and increased corporate tax rate, with an estimated annual revenue of $2.4 billion towards affordable housing and homelessness. ACA 14 (Wicks, 2022) would have dedicated 5 percent of the state's general fund (approximately $10 billion annually) to housing and homelessness for 10 years, explicitly protecting existing constitutional budget commitments including funding for schools and the state's Rainy Day Fund. Former Assemblymember David Chiu also proposed reforms to the state's mortgage interest deduction on second homes as a potential source of funding (AB 71, 2017; AB 1905, 2020).

Advocates led by affordable housing and community development stakeholders can push for statewide permanent sources of funding for affordable housing production, preservation, and operations.

Timing:	◷◷◷ Long (4+ years)
Type of change:	Legislative (state), ballot measure
Issue area:	Enable/expand funding
Impact:	⌂⌂⌂⌂ Transformational A steady and secure stream of funding would provide much needed capital and operation dollars to help move the state's pipeline of affordable housing developments forward. For reference, the AHSC program, funded by the state's Greenhouse Gas Reduction Fund (GGRF), awarded nearly $500 million for affordable housing in 2023.

Effort:	Most Complex Depending on the chosen strategy, a new permanent funding source would likely require legislative action or passing a new state tax through a ballot measure, both of which would be a significant endeavor.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	California Legislature and California voters if a ballot measure is required; Advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.10. Advocate to replace certain powers lost with dissolution of redevelopment agencies to facilitate future tax-increment financing, site assembly, and land disposition

Redevelopment Agencies (RDAs) relied on tax increment financing (TIF) to generate revenue and were legally mandated to allocate at least 20 percent of revenue towards affordable housing. Until its dissolution in 2012, the San Francisco Redevelopment Agency contributed over 50 percent of San Francisco's annual affordable housing expenditures, and its loss significantly affected the level of resources available for affordable housing locally. After RDAs were dissolved, a number of TIF tools were created by the state, such as Infrastructure Financing Districts (IFDs), Infrastructure and Revitalization Financing Districts (IRFDs), Enhanced Infrastructure Financing Districts (EIFDs), Community Revitalization and Investment Authorities (CRIA), Affordable Housing Authorities (AHAs), and Neighborhood Infill Finance and Transit Improvement Districts (NIFTIs). However, these tools have been largely underutilized in comparison to RDAs and many do not have affordable housing allocation requirements. According to a report by OPR, this is due to limited revenue potential, need for voluntary participation by multiple taxing entities, limited powers in comparison with Redevelopment Agencies (RDAs), and technical challenges such as limited understanding of these TIF tools.

Assembly Bill (AB) 3037: The Community Redevelopment Law of 2018, authored by Assemblymember David Chiu was the most recent attempt to recreate a TIF model like RDAs. The bill would have authorized a city or county to propose the formation of a redevelopment housing and infrastructure agency with greater fiscal and legal guardrails, as well as at least a 30 percent allocation of revenues towards affordable housing.

Working alongside the ecosystem of affordable housing and community development stakeholders, San Francisco stakeholders can advocate legislation to replace important affordable housing tools and funding sources lost with the dissolution of RDAs. San Francisco also can explore further utilizing existing TIF tools that are already available and allowable under California law, especially in areas of the city with larger community development projects planned (Recommendation 3.A.2).

Timing:	Medium (2-4 years)
Type of change:	Legislative (state)
Issue area:	Enable/expand funding
Impact:	Transformational Restoring some powers lost from the dissolution of RDAs would be transformative, particularly because of the new potential revenue that could be available for affordable housing production.
Effort:	Most Complex

	A legislative change restoring certain powers lost with the dissolution of redevelopment agencies is required and various attempts have stalled with limited exceptions.
Equity priorities:	Affordable housing production
Implementors:	State Legislature and the Office of Community Investment and Infrastructure; Advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.11. Reform treatment of preservation in the Housing Element and RHNA process

The preservation of existing subsidized and unsubsidized affordable housing is an essential component of maintaining the city's affordable housing stock and stabilizing low-income households. Housing Element law currently allows local jurisdictions to meet up to 25 percent of their Regional Housing Needs Allocation (RHNA) targets for low- and moderate-income housing through preservation. In practice, however, current state law requires preservation projects to be included in the housing element to demonstrate compliance at the start of the RHNA cycle, potentially excluding hundreds or even thousands of units that may preserved throughout the eight-year cycle. This provision is not aligned with preservation models, especially acquisition-rehabilitation of currently unsubsidized affordable housing, given their much shorter acquisition and preservation timelines and the need to move at the speed of the private market to address at-risk properties.

In addition, the current law and administrative guidance imply that acquisitions of units currently occupied by low-income residents to preserve them as affordable should not count toward RHNA; only projects that convert moderate- or above moderate-income units to low-income serving units would be eligible. This approach conflicts with what many communities view as priorities for acquisition-rehab creating permanent affordability and stabilizing vulnerable low-income renters. Incremental credit for the rehabilitation of existing deed restricted affordable housing should also be considered. If those investments are not made, the properties will no longer be able to serve low-income households. The current definition provides a threshold for rehabilitation that is unclear and extraordinarily hard to meet, implying buildings must be uninhabitable to be counted, which is not aligned with normal rehabilitation practices. Improving how preservation is accounted for in housing elements and towards RHNA would better incentivize this model and reward cities actively pursuing this work accordingly.

Local governments, like San Francisco, affordable housing and community development stakeholders can advocate for reform on how preservation is treated in the housing element and RHNA processes.

Timing:	Short (0-2 years)
Type of change:	Legislative (state), administrative (state)
Issue area:	Preservation
Impact:	Targeted This change could improve local recognition and incentive for preservation projects.
Effort:	Moderate Would require state legislative action and building consensus amongst broader RHNA and housing element stakeholders across the state.
Equity priorities:	Affordable housing preservation

Implementors:	California Department of Housing and Community Development, State Legislature if legislative change is needed; Advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.12. Pursue state support for low- and moderate-income homeownership including project financing, first-time homebuyers and financing of ADUs

Like federal efforts, California has also taken action to support homeownership and wealth-building opportunities for homeowners through financial programs and policy change. California faces some of the lowest homeownership rates in the country, with severe disparities between white Californians and Californians of color, which underscores homeownership strategies for low-income communities and communities of color.

California has several existing homeownership programs, including CalHome, which supports local governments to assist with new affordable, ownership housing; California Dream for All, a new, shared-appreciation homebuyer assistance program; and California Housing Finance Agency (CalHFA) first mortgage and downpayment assistance programs. CalHome, however, is the only program that explicitly serves low- and very low-income households; the other programs tend to serve more moderate and above-moderate income households. The limited nature of investments in these programs also severely constrain their impact in cities like San Francisco. The new California Dream for All program, for example, exhausted its first round of funds in 2023 in just 11 days. In order for San Francisco to benefit more significantly from these, or similar programs, more resources would need to be allocated through the state budget or new revenue sources.

The state has also pursued significant policy changes and some resources to support the production of accessory dwelling units (ADUS) and smaller multi-family buildings, which can be more affordable by-design. A series of bills have been passed by the California legislature in the last five year, addressing parking requirements, set-backs, zoning and land use approvals, and other factors that can serve as barriers to building ADUs. CalHFA also provides an ADU grant program to support ADU production. California also passed SB 9 in 2021, which allows homeowners in most areas around the state to divide their property into two lots and build two homes on many of these lots, thereby increasing opportunities for homeownership in their neighborhood. It remains to be seen how well-utilized this new opportunity becomes and what additional incentives are needed, or barriers need to be addressed. Additional financing tools and tax abatements could be helpful to further support these efforts, including potential reforms to the state mortgage interest tax deduction, and working with partners such as the Casita Coalition could be beneficial to securing these additional supports.

With the advocacy of affordable housing and community development stakeholders, San Francisco stakeholders can pursue the creation and expansion of state programs for low- and moderate-income homeownership, including project financing, first-time homebuyer programs and the financing of ADUs.

Timing:	Medium (2-4 years)
Type of change:	Legislative (state), administrative (state)
Issue area:	Homeownership, capital financing, cost lowering
Impact:	Targeted The financial scale of the programs would directly impact the number of San Francisco households that would be able to benefit.
Effort:	Moderate Homeownership programs, as well as ADU's, tend to be popular amongst the legislature, but tradeoffs exist with limited resources, given the priority for addressing homelessness in California.

Equity priorities:	Homeownership, housing options in well-resourced areas
Implementors:	State Legislature, the California Department of Housing and Community Development, California Housing Finance Agency; advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

1.B.13. Advocate for increased funding for housing-related infrastructure to alleviate cost burden on large-scale multi-phase projects (e.g. HOPE SF)

Infrastructure costs (roads, sidewalks, utilities, etc.) can represent a significant expense to a project, particularly for larger multi-phased initiatives such as HOPE SF that include not only new housing developments, but also include new street grids, utility infrastructure, and community amenities such as neighborhood parks.

To extend the use of limited affordable housing funding, it is essential to identify other mechanisms to cover the costs of the associated infrastructure improvements. The City is already establishing Enhanced Infrastructure Financing Districts (EIFDs) to help to defray the cost of infrastructure at several large development sites and this program can be expanded. Other City resources could also be explored to fund these uses. State programs can also play a significant role in funding infrastructure through the Affordable Housing and Sustainable Communities Program (AHSC) and the Infill Infrastructure Grant (IIG) program. The City has been successful in leveraging these programs in the past.

Increased funding for housing-related infrastructure would require prioritization in the state budget. These changes would be backed by the housing and community development stakeholders, as well as implemented by the State Legislature.

Timing:	Medium (2-4 years)
Type of change:	Budget (state, local)
Issue area:	Cost lowering, enable/expand funding
Impact:	- Moderate to High Depending on the scale of funding that is made available, it would allow affordable housing dollars to be stretched further.
Effort:	Moderate Would require prioritization of these uses in the state budget and a shift away from funding many of these uses through housing impact fees.
Equity priorities:	Affordable housing production
Implementors:	California Legislature; advocacy by affordable housing and community development stakeholders, including local governments, like San Francisco

State programs helped fund affordable housing and related infrastructure around San Francisco such as Mission Bay block 6 by Mercy Housing and the new Alice Griffith by McCormack Baron Salazar (facing page)

Source: [Sister Lillian Community Center - Cahill Contractors)]

Source: [Alice Griffith Housing (Blocks 1, 2 and 4) | Nibbi Brothers General Contractors]

1.B. EQUITY CONSIDERATIONS

California has some of the worst housing affordability and homelessness challenges in the country, and while these are national problems, California's extreme challenges, as well as the scale of resources at its disposal, call for statewide solutions. The state has passed numerous laws calling for cities to plan for and permit more housing. As a result, it is now significantly easier to build new housing, particularly affordable housing, which has been effectively streamlined by the State Legislature. Despite the state's recent increases in housing investments, however, there is still a substantial gap between the affordable housing production and preservation need and what is available.

As San Francisco and cities across California look to the state for support, particularly in the form of funding resources, there are important equity considerations in how resources are allocated. While the severity of the housing crisis in California is impacting households with even higher incomes, housing insecurity and cost burden, as well as homelessness, are experienced most severely by households with the lowest incomes – and disproportionately people of color.

State law and funding also needs to align with the diverse needs and goals of communities around the state. The state has been moving meaningfully to support more affordable housing options in higher resource communities but also needs to continue to invest in historically lower income and communities of color, especially those that have been historically disinvestment or where neighborhood change and displacement and increasing housing costs have driven people from homes where they grew up. The state can leverage investment to help increase opportunity and stability for lower income people and people of color.

1.C. Regional Affordable Housing Funding and Financing

The Leadership Council recommended various actions to obtain more regional affordable housing funding and financing. The actions are described in more detail below. These actions include advocacy and support for the passage of a regional bond in the November 2024 ballot and any future regional measures for affordable housing, as well as supporting the creation and implementation of potential moderate income housing program at the regional level.

ACTIONS

1.C.1. Support passage of a regional bond in November 2024

The ambitious affordable housing goals set by California comes with significant capital needs to develop much needed affordable homes. At the same time, the already constrained state funding environment has not been able to keep up with increasing funding demand, leading to oversubscription of LIHTC and state funding programs and creating a bottleneck slowing thousands of developments. Additional regional funding that could replace or supplement state and/or federal dollars could help address these constraints.

The Bay Area Housing Finance Authority is currently planning to place a $10-20 billion general obligation (GO) affordable housing bond for the 9-county Bay Area on the November 2024 ballot. San Francisco would receive $1.2 billion or $2.4 billion from a $10 billion or $20 billion GO bond, respectively. Even more resources would fund projects in San Francisco because the other 20 percent of funds administered by BAHFA would be allocated to affordable housing and programs across all nine counties, including San Francisco. San Francisco (and other counties) will have flexibility in how to use funds, within the requirements in AB 1487, ranging from affordable housing production and preservation to tenant protection programs, and other flexible uses like administration and staffing. San Francisco will need to develop a detailed expenditure plan following the passage of such a measure to allocate its resources according to AB 1487 and the city's priorities. Additionally, it will be essential to support any future or additional regional housing measures like this to pursue additional funding to fully deliver on production, preservation, and tenant protections.

A regional measure in 2024 and beyond will benefit greatly from San Francisco steadfast support and advocacy from housing and community development stakeholders.

Timing:	Short (0-2 years)
Type of change:	Legislative (regional)
Issue area:	Enable/expand funding
Impact:	High San Francisco would receive $1.2 billion or $2.4 billion from the $10 billion or $20 billion regional GO bond, respectively. Any future regional funding measures would benefit San Francisco significantly.
Effort:	Moderate to Most Complex It will require efforts on various fronts. First, the BAHFA measure will require the BAHFA Board (the Metropolitan Transportation Commission) as well as the Association of Bay Area Governments to vote to place the measure on the ballot. These bodies will cast final votes on the measure, including the size of the bond, in early 2024. Once it is voted on, the measure will head to voters on the November ballot. San Francisco could leverage its connections to ensure voters are on board as it will need voter approval throughout the region. A related

	effort is to advocate for the passage of ACA 1 (noted in 1.B.1) to allow for measures to pass more easily.
Equity priorities:	Affordable housing production
Implementors:	BAHFA, Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG), Bay Area voters; advocacy by affordable housing and community development stakeholders (e.g., Bay Area Housing for All coalition), including local governments, like San Francisco

1.C.2. Support creation and implementation of potential moderate income housing program

Housing for households who earn between 80 to 120 percent of the area median income is become less affordable and accessible to San Francisco residents, and there are few programs that serve this population. BAHFA is considering several strategies to support the production of housing affordable to households earning up to 120 percent of the area median income (AMI), through which San Francisco may be able to partner and benefit.

BAHFA's draft Business Plan outlines a potential Middle-Income Housing Program that would entail BAHFA issuing project revenue bonds to finance the projects. BAHFA can also provide the added benefit of a property tax exemption, which helps keep rents affordable, by serving as the building owner. BAHFA's design and implementation of this program would be in collaboration with cities like San Francisco in which such opportunities arose, ensuring that the developments created strong community benefits. If additional federal or state programs or policies are enacted to support housing affordable to households with moderate incomes, BAHFA could also be well-positioned to take advantage of some of these programs and policies (Recommendation 1.A.7; Recommendation 1.B.6). San Francisco can also consider these opportunities, as available.

Timing:	Short (0-2 years) to Medium (2-4 years)
Type of change:	Administrative
Issue area:	Moderate-income housing
Impact:	Moderate These programs may be enough to make moderate-income housing developments in some parts of San Francisco financially viable, without which they would be able to move forward.
Effort:	Least Complex BAHFA has already started to implement their Welfare Tax Exemption program and can leverage bonding capacity long developed at the Metropolitan Transportation Commission.
Equity priorities:	Affordable housing production
Implementors:	BAHFA, SFMOHCD

1.C. EQUITY CONSIDERATIONS

The Bay Area has extraordinary wealth and economic, cultural, and educational opportunities; however, many lower income residents and people of color do not have equal access to these opportunities in large part because of housing affordability challenges and income inequality. People largely experience housing markets and job opportunities at a regional level, often commuting from one county to another, yet the Bay Area does not have a consistent and shared approach to addressing regional problems like housing affordability and homelessness. While individual cities may try to do more to address homelessness and build affordable housing, other cities have dedicated little capacity or resources. The entire region, and particular equity communities, suffer with this uneven approach.

BAHFA was created to address these issues and create a regionwide baseline for resources committed to affordable housing, as well as to facilitate greater coordination, sharing of best practices, collaboration to overcome capacity barriers, and shared state and federal advocacy. The 2024 BAHFA bond, as well as future BAHFA-administered revenue sources and programs, can level the playing field and create more consistency and capacity across the entire region, including San Francisco, ensuring that there is a more equitable regional approach to these regional challenges. How BAHFA, counties, and direct-allocation cities choose to expend BAHFA-generated funding will have equity implications for how these entities balance funding for households at different income levels, in different geographic areas, and between rental and ownership models. To date, BAHFA has proposed prioritizing households with the lowest incomes, whenever possible, and taking a “both/and” approach to investing in high resource areas and historically disinvested communities. Each direct-allocation jurisdiction, including San Francisco, will need to grapple with those same questions after a measure is passed.

2. Increase San Francisco's Capacity and Coordination to Produce Affordable Housing

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.

Context

San Francisco has historically led the way in affordable housing production and preservation compared to most other cities in the Bay Area and California and has substantially increased its efforts in recent years as described in the affordable housing context section of this report. However, building affordable housing in a high-cost city like San Francisco involves many challenges for affordable housing developers and the City itself. Complex funding structures, high cost of construction, diverse requirements, and need for coordination among City agencies contribute to delays and cost overruns. In this section, the focus is on recommendations related to city-driven decisions that can increase the City's affordable housing production and preservation capacity and impact by leveraging or expanding local funding sources, aligning investments, supporting affordable housing providers, coordinating efforts of housing agencies, and working to contain costs.

LOCAL FUNDING FOR AFFORDABLE HOUSING IN SAN FRANCISCO

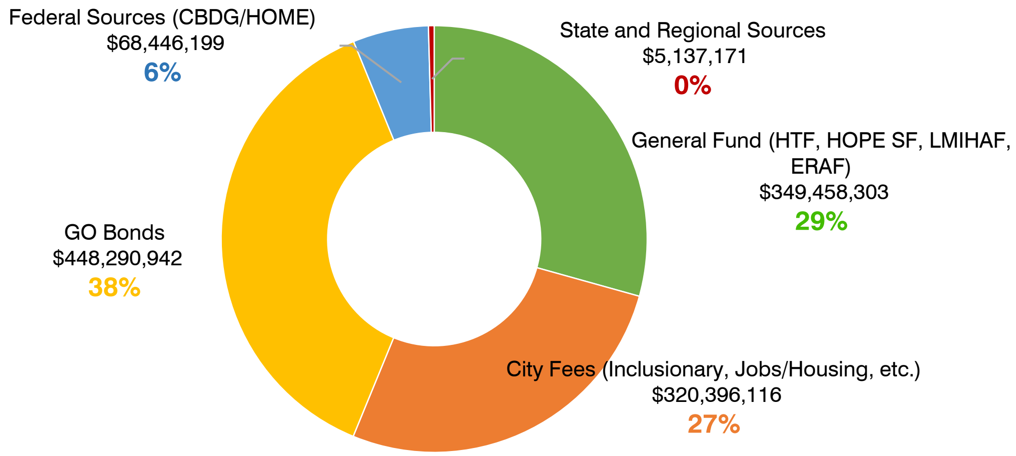
As described in the Affordable Housing Context section, producing and preserving affordable housing for lower income households typically means nonprofit affordable housing developers working with City agencies to bring together many different funding sources from federal, state, and local programs as well as private lenders and investors and nonprofit or philanthropic organizations. Local funds help leverage federal and state funds such as LIHTC. Over the last 12 years, San Francisco has been working to develop additional local affordable housing funding sources that could replace funding previously provided by Redevelopment Agencies, which were dissolved by the state in 2012. For decades prior, redevelopment tax increment financing (TIF) generated most local funding for affordable housing development. Federal sources of funding for affordable housing have been largely stagnant or declining for decades, as discussed in the prior section of this report, leading to greater need for local funding.

San Francisco has expanded local affordable housing funding and other local revenue since 2012 through actions of both voters and elected officials. Property tax revenue has been the basis for many affordable housing funding sources including General Obligation (GO) bonds, Education Revenue Augmentation Fund (ERAF) dollars, and the Housing Trust Fund. In 2012, city voters approved creation of the Housing Trust Fund which dedicated a limited portion of property tax revenue flowing to the general fund for affordable housing. Residents approved local affordable housing bond measures in 2015 and 2019, which rely on property tax revenue. The City has also made allocations from the general fund, particularly during the economic boom of the 2010s. ERAF, for example, is property tax revenue collected by the State to meet minimum educational funding levels and returned to the City's general fund when required levels are met. In addition to property tax-based funding sources, the City has used development fees on both residential and commercial projects to fund housing. New residential and commercial development funds affordable housing through both fees or on-site affordable units in the short term and by increasing property tax revenue that funds the budget and bonds over the long term.

San Francisco voters have also recently approved funding measures for homelessness and supportive housing and, more generally, to grow the City's General Fund to provide more funding for affordable housing as well as other public services. In 2018, voters approved Proposition C that imposed a gross receipts tax on large companies to fund homelessness services and supportive housing. In 2020, voters approved a real estate transfer tax increase on higher priced properties to fund the General Fund and, in 2022, approved a tax on vacant multifamily housing units. These sources mirror those used by cities around the country to fund affordable housing.

As shown in the chart below on local affordable housing funding from 2018 through 2023, the largest local affordable housing funding source has been voter-approved GO bonds which provided 38% of local funds (including 2015 and 2019 GO bonds and the 2016 PASS Bond). Allocations from the general fund, such as ERAF and the Housing Trust Fund, also played a significant role, providing 29% of local funding. The other most significant local funding sources have been Inclusionary Housing program fees paid by privately financed residential developments in lieu of on-site affordable housing units and fees paid by commercial developments.

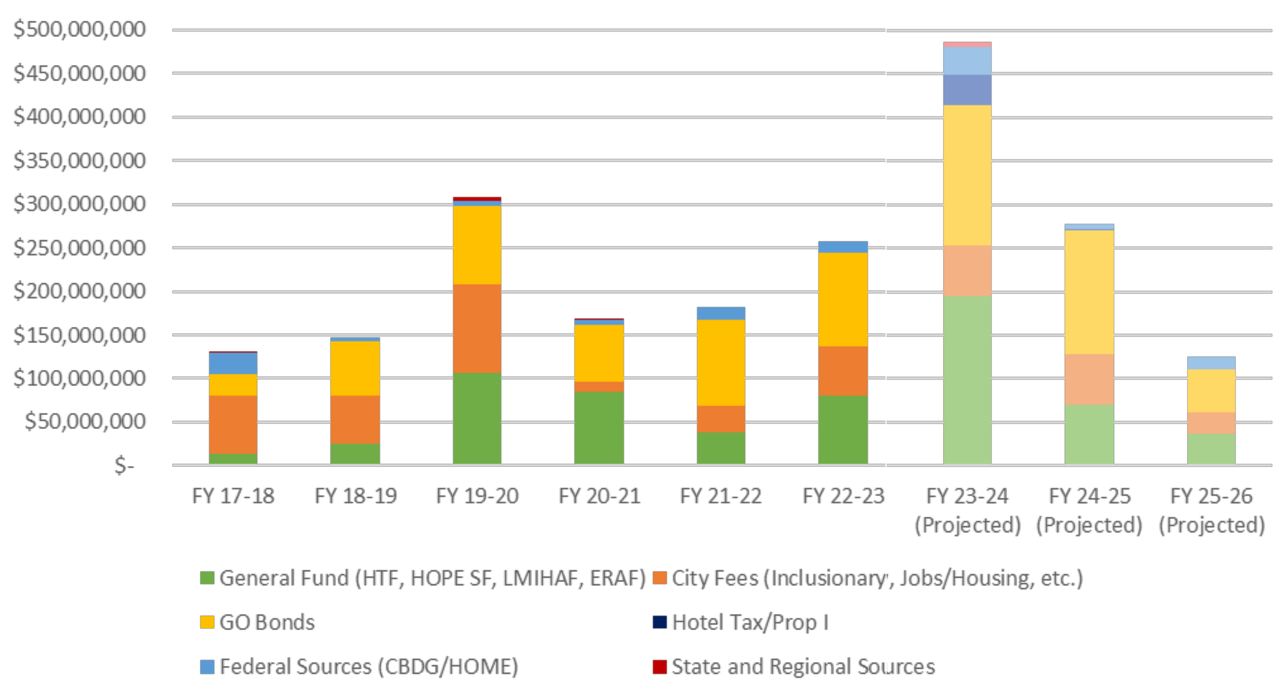
Figure 17. San Francisco Local Affordable Housing Funding by Source (FY2017-18 to FY2022-23)



Source: Mayor's Office of Housing and Community Development (MOHCD)

A key characteristic of many local funding sources is that they are one-time allocations that need to be renewed by voters or elected official (GO bonds and general fund allocations) or they are dependent on local economic and development activity (impact and jobs/housing fees), which is cyclical based on local and national economic conditions. As shown in the chart below, availability of local funding from different sources by year is projected to decline in coming years as various sources are used up. Diminishing local funding could also affect the City's ability to leverage federal and state funding sources over time. Availability of federal and state funds affects the City's ability use local funds and competitiveness of LIHTC throughout the state has led to limited investment in certain years.

Figure 18. San Francisco Local Affordable Housing Funding – Actual and Projected (FY2017-18 to FY2025-26)



Source: Mayor's Office of Housing and Community Development (MOHCD)

It should be noted that the various state laws shape San Francisco's revenue and budget options. The City must balance its budget annually and must go to voters to take on additional debt or to raise revenue, with two thirds voter approval required for dedicated revenue sources for a particular purpose. Proposition 13 limits property tax rates and assessed property values. The state also pre-empts cities from imposing a local income tax. All of these factors make San Francisco's revenue and budget dependent on a specific mix of revenue sources including property tax (the largest single contributor to the general fund), gross receipts tax and other businesses taxes, sales taxes, hotel taxes, and real estate transfer taxes. These five types of revenue make up the largest budget sources locally.

In order to sustain or expand affordable housing production and preservation, the city will need to renew its affordable housing funding sources and/or secure additional funding from federal, state, and regional levels, as discussed in the prior section. Local funding, unlike state and federal funding, is more sensitive to fluctuations in the annual budget and market conditions. The City must not only fund affordable housing, but also maintain other essential services like parks, schools, and social services, which can be more challenging in lean years. Local affordable housing funding solutions will likely need to find ways to grow the public funding available since it may be difficult to reallocate budget. Voters can choose to grow and sustain local funding for affordable housing by approving GO bonds or other voter-approved sources. In addition, opportunities to further leverage existing tools and resources and lower costs through coordination of agencies and policies could help San Francisco continue to produce and preserve affordable housing as well as finding additional ways for other sectors to contribute.

ROLES OF LOCAL HOUSING AGENCIES AND PERMITTING AGENCIES IN AFFORDABLE HOUSING

Local City agencies who fund, review, approve, and permit housing projects are key partners in producing and preserving affordable housing. Several City agencies are responsible for housing delivery for low-income and unhoused residents in the city. Each agency administers funding provided by various federal, state, or local sources and plays a role in providing safe, decent and quality housing to San Franciscans. Although these agencies have similar goals to house low-income residents, they can function under distinct administrative structures and requirements and have unique areas of focus and particular challenges, which can create barriers to coordination and collaboration. Various recommendations from the Leadership Council touch on how coordination and collaboration could be improved and abilities and tools available to agencies could be leveraged.

Housing Agency	*Who does it serve?*	*Housing Role*
Mayor's Office of Housing and Community Development (MOHCD)	Eligible low-income and moderate-income residents	Supports long-term affordability of 25,000 affordable housing units through acquisition, rehab, and monitoring; Provides community development grants and services
San Francisco Housing Authority (SFHA)	Eligible low-income residents	Manages and operates 600 remaining public housing units, manages over 12,000 Housing Choice vouchers; Conversion of public housing units to mixed income-replacing 1,917 units adding 1,000 more affordable and providing up to 2,600 market rate and workforce units

Department of Homelessness and Supportive Housing (HSH)	Unhoused residents and residents at risk of homelessness	Manages 13,196 units, with 16,645 total beds; Acquires and rehabs hotels; Oversees master-lease agreements of privately owned buildings; Provides homeless prevention and services for unhoused San Francisco residents
Office of Community Investment and Infrastructure (OCII)	Residents of all income levels; Affordable units typically serving low-or very low-income	Administers major redevelopment projects, including the construction of 21,000 housing units with 32% (7,021) being affordable. To date, 9,098 units have been completed with 2,623 dedicated as affordable housing

In addition to agencies that fund and produce housing, another set of agencies regulate housing development and maintenance according to state and local codes while others regulate the infrastructure that supports housing including streets and utilities. These agencies include:

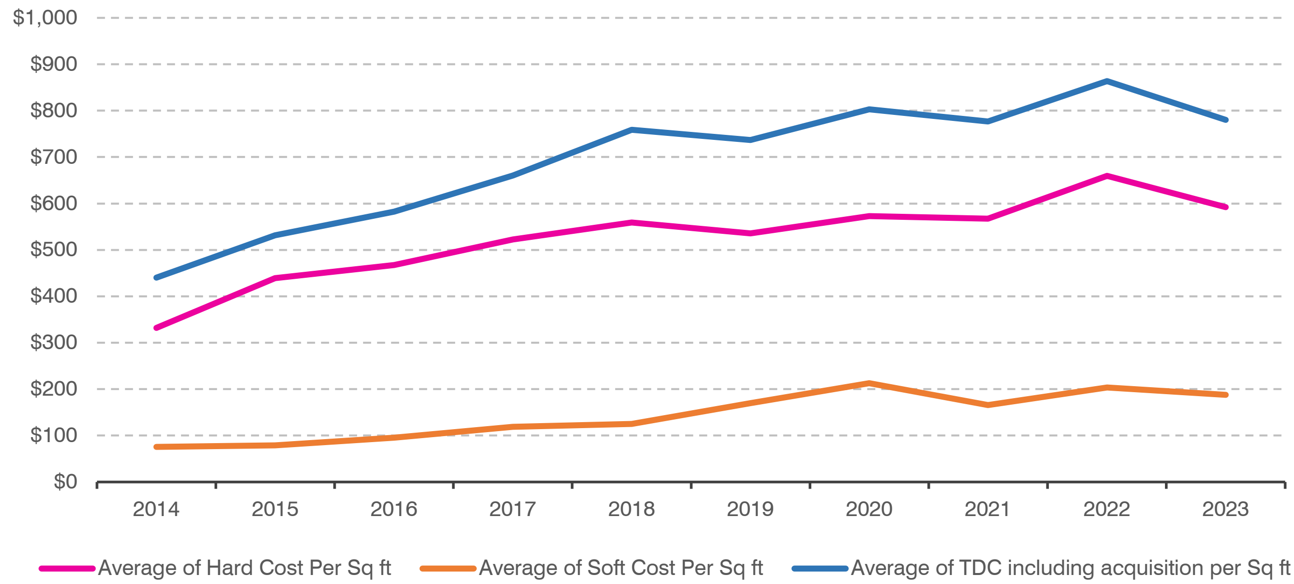
- **Department of Building Inspection (DBI):** Approves building plans, issues permits for all construction, and enforces San Francisco's Building, Housing, Plumbing, Electrical, and Mechanical Codes.
- **Fire Department (SFFD):** Approves building plans, issues permits, and enforces the Fire Code.
- **Office of Housing Delivery:** Established in 2018, supports housing development through the entitlement process, focusing on large projects and streamlining of approvals.
- **Planning Department:** Guides development across San Francisco via the General Plan, issues permits related to and enforces the Zoning and Planning Codes.
- **Public Utilities Commission:** Provides power to affordable housing and public housing properties and issues permits for Stormwater Control Plans
- **Department of Public Health (DPH):** Issues permits, fund operating subsidies for PSH units, and conducts inspections of homes with regard to health hazards and other aspects of the Health Code
- **Department of Public Works (DPW):** Designs and manages construction of the public right of way and other public spaces that may touch housing projects, such as sidewalks and streets.

Review, permitting, and inspection by these agencies are important to maintaining the quality and safety of housing, however, these processes and requirements can also slow projects and results in unanticipated costs. Ensuring that City agencies are focused on moving affordable housing through permitting and approval as quickly as possible and that requirements do not impose additional costs and are consistently applied could help build affordable housing more quickly and at lower cost.

HIGH CONSTRUCTION COSTS ARE A DRAG ON AFFORDABLE HOUSING PRODUCTION

San Francisco's construction costs are among the highest of any cities in the country. Based on data from MOHCD, the average cost to build one affordable housing unit in 2023 is $984,000. This is almost double the total development costs from nine years ago. Lengthy permitting processes for certain aspects of projects, increases in material costs, supply chain disruptions, and an acute labor shortage contribute to the City's struggles to build affordable housing in a timely manner.

Figure 19. **Average Costs for New Construction in San Francisco (2014-2023)**



Source: Mayor's Office of Housing and Community Development (MOHCD)

For rehabilitations of existing affordable housing, from 2019 to 2023 the City has rehabilitated 316 existing affordable housing units a year with total costs of $124,000 per unit on average, the majority of which is drawn from Low Income Housing Tax Credit Equity. The City has simultaneously invested in the acquisition of existing privately owned housing for low-income individuals and conversion of those properties to permanently affordable housing. On average, the City has funded 92 units per year in acquisition from 2019 to 2023 with average per unit total costs of $528,000.

The lack of skilled labor available has been a particularly challenging issue. Since 2010, the City requires contractors to hire residents with a mandatory participation at 30% by trade. High cost of living makes it difficult for the city to retain local skilled labor in the construction field and with low unemployment, there may be less interest in a career in construction.

In addition, to these challenges, doing business in San Francisco also means additional local requirements. San Francisco leads the way in curbing climate impacts through green building practices, however, requirements like greywater systems are costly to install and maintain over time. Other cost drivers include complying with the Maher Ordinance to address management of contaminants, as well as Green Building Code requirements. These are just a few local add-ons that increase the cost of building in the city.

THEMES

The Leadership Council's recommended actions to execute this recommendation are grouped into three themes, further detailed below:

2.A. Expanding Local Housing Capacity and Financing
2.B. "One San Francisco" Approach to Coordinate San Francisco's Housing Agencies
2.C. Lower Costs of Producing Affordable Housing

2.A. San Francisco's Capacity to Produce and Preserve Affordable Housing

Recommended actions in this issue area offer a range of strategies to increase local funding and financing tools as well as ways to take full advantage of federal grants and programs. These actions range from passing additional local bonds to fund affordable housing, pursuing federal funding opportunities, supporting homebuyer programs, more efficiently utilizing current affordable housing funding, and beyond.

ACTIONS

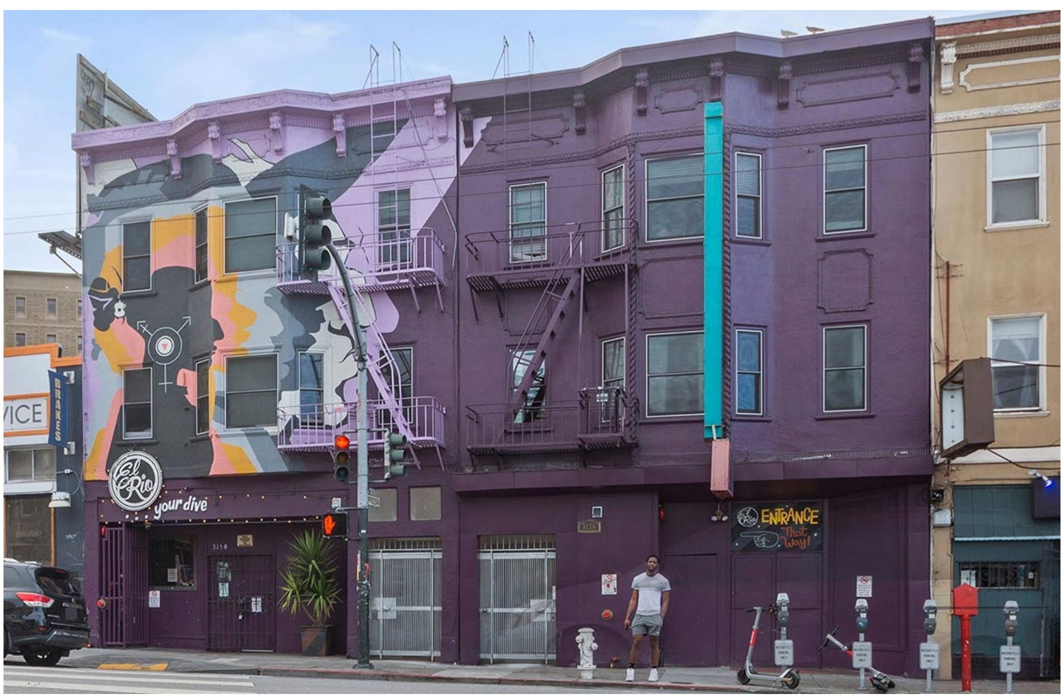
2.A.1 Support passage of a local bond in March 2024

A General Obligation (GO) bond is proposed for the March 2024 ballot, totaling $300 million with $240 million allocated for production of affordable housing, $30 million for preservation, and $30 million dedicated to transitional housing. The proposed GO bond would fund 1,400+ new affordable units for individuals with incomes ranging from 15% to 80% of the Area Median Income (AMI), acquisition and preservation of 60+ units with income eligibility from 30% to 120% AMI, and the creation of transitional housing for victims and survivors of domestic violence, street violence, abuse, or human trafficking. As described previously, GO bonds have become the largest single local funding source for affordable housing. The City's Capital Planning process decides the size and purpose of bonds to put before voters for approval. While total City debt is capped in the City's charter at 3% of total property value, in practice the City has aimed to keep total debt capped at 1.25%. As older bonds retire or total property value increases, the City can take on new bonds without increasing the tax rate for property owners. Affordable housing is now an integral part of San Francisco's bond cycle, which includes major investments in other important infrastructure such as transportation, parks, and schools. To be passed, voters must approve the bond by 2/3 majority.

Timing:	March 2024
Type of change:	Ballot measure
Issue area:	Expand/enable funding
Impact:	High Funding allocated directly to affordable housing.
Effort:	Moderate SF has approved prior ballot measures in the past (2015 and 2019); barriers to implementation - 2/3 majority for approval.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	San Francisco voters; Advocacy led by affordable housing and community development stakeholders in San Francisco; MOHCD would implement

Local bonds have funded new construction and preservation such as La Fénix developed by nonprofits BRIDGE Housing and Mission Housing Development Corporation and El Rio purchased by MEDA through Small Sites.

Source: La Fénix at 1950 - BRIDGE Housing



Source: El Rio - San Francisco Legacy Business

2.A.2. Use SB 593 bonding authority to fund replacement of affordable housing destroyed by urban renewal

In 2012, the San Francisco Redevelopment Agency (SFRA) was dissolved and the Office of Community Investment and Infrastructure (OCII), the successor to the SFRA, took over the SFRA's "enforceable obligations," the projects SFRA had committed to fund before dissolution. Since this point, OCII has been responsible for completing SFRA housing projects planned as of 2012 in the redevelopment areas of Mission Bay, Hunters Point, Candlestick Point, and the Transbay District. SB 593, the San Francisco Replacement Housing Act passed in 2023, would extend OCII's commitments to include 5,842 units replacing housing destroyed in the 1960's and 1970's during San Francisco's urban renewal era.

OCII's funding has historically been based on Tax Increment Financing (TIF), the incremental growth in property tax revenues within redevelopment areas. Based on anticipated TIF revenue, OCII has issued bonds to fund investment in redevelopment areas, including affordable housing. Under SB 593, OCII can continue to bond against property tax revenue generated in former redevelopment areas to meet the replacement housing obligation of over 5,800 low to middle income units, for example, by providing direct subsidy for affordable housing. OCII can also fund extensions of affordability restrictions for affordable housing built during redevelopment where restrictions may have expired or will expire soon. The property tax revenue from former redevelopment areas that could provide affordable housing funding under SB 593 would otherwise flow to the City's General Fund. Given that context, the City can weigh the potential of this affordable housing funding source relative to broader budgetary needs.

Timing:	Medium (2-4 years)
Type of change:	Administrative
Issue area:	Expand/enable funding
Impact:	High Will secure a consistent funding source for 5,842 units of low- and moderate-income housing.
Effort:	Moderate This is a new authority granted to OCII and will take some research and bureaucratic learning to implement.
Equity priorities:	Affordable housing production
Implementors:	OCII

2.A.3. Pursue federal operating funds through HUD's Faircloth to RAD program

In 2021 HUD offered a new option for Public Housing Authorities (PHAs) to utilize existing unused authority to build Section 9 Public Housing, referred to as a Faircloth to RAD conversion. The San Francisco Housing Authority (SFHA) has at least 3,717 units of Faircloth Authority at this time, which under this new program can be converted into new long-term Housing Assistance Payment (HAP) contracts. These vouchers can be applied to new construction or existing affordable housing projects and tenants would pay 30% of their income in rent while the remainder up to the contract rent amount would be paid by HUD. There are significant challenges to implementation since units must qualify as Section 9 public housing and then have their contract converted into a new HAP. The current contract rents under this program are set at approximately 30% MOHCD AMI so these vouchers are not sufficient to support the full costs of operating a unit let alone leverage debt and would need to be combined with additional full value Section 8 Project Based or Continuum of Care (CoC) vouchers to financially stabilize existing properties. Still, these vouchers would decrease rent burdens on extremely low-income tenants with incomes below 30% AMI, providing them more stability and support to stay housed, while offering a more regular revenue stream for developers who operate those units. These vouchers could also be used to supplement local operating subsidy program (LOSP) so that the City can fund additional units for homeless households with less general fund subsidy required. Some additional general fund subsidy would be needed to make Faircloth vouchers reach LOSP subsidy levels. MOHCD should consider work integrating these Faircloth to RAD vouchers into the pipeline for rehabilitation and new construction projects to utilize this valuable federal resource.

Timing:	Medium (2-4 years)
Type of change:	Administrative
Issue area:	Operating subsidy
Impact:	Moderate Without additional changes to the program to supplement rents it will not provide a significant amount of funding but can increase the number of deeply affordable units in new construction and reduce rent burden while stabilizing property revenue for existing deeply affordable housing.
Effort:	Most Complex This process requires going through a multi-stage HUD process, which has significant design, legal and process complexity involving both HUD and SFHA.
Equity priorities:	Affordable housing production, deeper affordability
Implementors:	MOHCD, SFHA, affordable housing developers, in coordination with HUD

AFFORDABLE HOUSING INVESTMENT IN ACTION:

Improving Quality of Life

"The conditions of these apartments had gotten really bad...you [should] have seen the apartment before the RAD program came along. If they had not demolished this place, we wouldn't be able to live in Bernal."

Bobby Cocharn - Bernal Heights

Source: MOHCD Affordable Housing program testimonials

Thanks to RAD, Holly Courts—which was built in 1942 and is the oldest public housing west of the Mississippi River—underwent over $20 million in repairs and deferred maintenance, including badly needed health and safety upgrades and unit improvements.

The combination of RAD and Section 8 rental subsidies allowed the City to leverage over $720 million in tax credit equity and an additional $240 million in debt to address rehabilitation needs for 3,480 units of public housing.

Image Source: Bridgetown

2.A.4. Use provisions in Inflation Reduction Act to reduce operating costs through energy efficiency improvements within affordable housing

Increasingly, federal programs are seeking to address the climate crisis through housing policy and programs. At this intersection is energy efficiency and green building standards, which helps reduce operating costs for affordable housing developments. The Inflation Reduction Act has four programs that are most relevant for affordable housing. Developers can take advantage of the following programs to reduce operating costs and local subsidy needs:

Department of the Treasury: Investment Tax Credit (ITC) Reform and Adders: Tax credits on top of LIHTC for the installation of a solar energy systems, up to 30% of the solar project's value, along with a 20% boost in ITC credits for affordable housing; accessed directly by developers.

HUD: Green & Resilient Retrofit Program (GRRP): $2 billion for green rehab, retrofit, or construction of HUD-assisted multifamily properties; accessed directly by developers via rolling NOFO deadlines until Spring 2024.

California Energy Commission: IRA Residential Rebate Programs: $292M in rebates for energy efficiency upgrades & $290M for the purchase and installation of qualified appliances and certain building materials; accessed directly by developers beginning early 2024.

Environmental Protection Agency: Greenhouse Gas Reduction Fund (GGRF): $20B in financing to promote clean technology projects locally, including net-zero emissions buildings; accessed by hub of nonprofits that can then sub-award to housing finance agencies, with rollout in 2024.

MOHCD can engage developers about the IRA programs and explore providing technical assistance, if necessary. The City of San Francisco can also consider engaging with the California Energy Commission and the GGRF competition winner to ensure that program guidelines can be aligned with San Francisco programs and goals as much as possible.

Timing:	Short (0-2 years)
Type of change:	Administrative, partnerships
Issue area:	Expand/enable funding
Impact:	Targeted The impact of IRA programs on affordable housing is likely limited due to the relatively small scale of these national programs. Utilization of these programs could free up a small amount of local subsidy dollars, but it would not be sufficient to significantly spur additional affordable housing production.
Effort:	Least Complex Developers can apply directly to the take advantage of these IRA programs, with the exception of the GGRF.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	MOHCD in partnership with developers, Department of the Environment, SFPUC

2.A.5. Increase City's capacity to take advantage of federally enabled financing and program tools available through the Housing Authority

A key feature of jurisdictions that are particularly successful at leveraging diverse funding to build affordable housing is close collaboration between their public housing authority (PHAs) and other local housing agencies, particularly the local housing finance agency. This partnership allows jurisdictions to better leverage federal resources managed by PHAs, such as Housing Choice Vouchers, and deploy them in coordination with other local funding programs. San Francisco Housing Authority does not currently utilize all of these tools, which prevents the City from taking full advantage of federal financing opportunities that other jurisdictions leverage through their PHA partnerships.

San Francisco can consider ways to further integrate the San Francisco Housing Authority (SFHA) within its housing delivery ecosystem so the City can better leverage funding, programmatic tools, and authorities that are exclusive to public housing authorities. This includes building administrative capacity to administer the Housing Choice Voucher Program, which the City can then align and coordinate with other local funding sources for a much more efficient financing and development process. Integrating SFHA's functions with those of other City agencies could also help improve its operations, which then may better position the agency to eventually apply for Moving to Work status. Typically, PHAs are only authorized to use a maximum of 20% of their authorized voucher units to project-base units in a specific development. However, if a PHA receives Moving to Work they can apply for HUD waivers to increase this cap. Furthermore, the City can take advantage of SFHA's authority to develop and operate affordable housing to further increase its development capacity.

San Francisco can increase the coordination and deepen partnerships between SFHA and other local housing agencies to take better advantage of federally enabled financing and program tools available.

Timing:	Long (4+ years)
Type of change:	Legislative, administrative
Issue area:	Expand/enable funding

Impact:	Moderate San Francisco has the opportunity to increase and more effectively use federal resources for affordable housing production.
Effort:	Moderate Depending on the strategy, this action could require a simple memorandum of understanding between agencies, a joint powers authority, or a change to the city charter.
Equity priorities:	Affordable housing production, deeper affordability
Implementors:	San Francisco Board of Supervisors, San Francisco Mayor's Office, MOHCD, San Francisco Housing Authority

2.A.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.

In addition to defining and implementing strategies to increase affordable housing production, San Francisco also has a responsibility to ensure that the organizations that comprise the city's affordable housing ecosystem can sustain their organizational capacity and the operations of their properties so that they may continue to provide high quality services to tenants and clients. There is an ongoing need to invest in maintaining San Francisco's existing extensive affordable housing portfolio, and that need has only intensified following COVID-19 and associated economic disruptions (supply chain issues, inflation, weak rent collection, etc.).

Reviewing and modifying the City's asset management policies will be critical to ensuring the financial health of City's affordable housing portfolio and the sustainability of the organizations that provide it. For example, the City could consider revising its residual receipts policies in order allow nonprofit developers to keep revenues beyond what is necessary for an individual property's operational costs to reinvest back into their properties and grant them greater financial flexibility across their portfolios. Since residual receipts typically support new construction projects, there will be impacts to the development pipeline.

Timing:	Short (0-2 years)
Type of change:	Legislative (local), administrative, best practices
Issue area:	Nonprofit affordable housing developers
Impact:	Moderate This would not create new funding opportunities, but would grant nonprofit developers greater security and support the longevity of affordable housing.
Effort:	Least Complex Depending on the type of policies, modifications could be accomplished with a simple administrative policy change for future loans. Changes to loans already in place could require legislative action.
Equity priorities:	Affordable housing preservation

Implementors:	MOHCD in collaboration with elected officials and affordable housing developers

2.A.7. Support additional Local Bond (2028 or later)

Affordable housing bonds have been vital to San Francisco's ongoing efforts to build affordable housing. Integrated into the City's bond cycle, affordable housing bonds are typically proposed every four to five years by the City's Capital Planning process. Previous bonds, in 2015 and 2019, secured $910 million combined for affordable family and senior homes, preservation of affordable housing, and other housing initiatives. Embedding housing bonds within the bond cycle ensures consistent opportunities to fund critical affordable housing needs. The upcoming March 2024 Housing Bond is the next step in this cycle. Looking ahead, the bond cycle is expected to continue, with an anticipated affordable housing bond proposed around 2028. To ensure a sustained local funding mechanism is established the City should consider proposing new affordable housing bond as the Capital Planning cycle permits.

Timing:	Long (4+ years)
Type of change:	Ballot measure
Issue area:	Enable/expand funding
Impact:	High Funding allocated directly to affordable housing.
Effort:	Moderate Voters must approve the bond by 2/3 majority.
Equity priorities:	Affordable housing production
Implementors:	San Francisco voters; Advocacy led by affordable housing and community development stakeholders, including local governments, like San Francisco; Board of Supervisors and Mayor are sponsoring and MOHCD is administering

2.A.8. Identify new local funding streams for affordable housing as economic recovery allows including funding for ongoing ELI operating subsidy

As of January 2024, San Francisco's economy has not yet recovered from changes that began with the COVID-19 pandemic and the City faces a second year of potential budget cuts. While affordable housing production and preservation continues to be a priority, the City will likely be balancing the budget needs of a range of essential services. As San Francisco's economy improves and the City's budget allows, the City can dedicate additional funding to and identify new funding streams for affordable housing as it has done in the past in order to maintain or increase recent affordable housing production levels.

Additional future funding will be needed for new production as well as to address operating costs and preservation of aging buildings. In recent years, operating costs have risen substantially, straining finances for housing providers and putting buildings at risk. For example, these challenges have hit older buildings, like SROs particularly hard as these buildings serve vulnerable residents who include seniors and individuals experiencing mental health and substance abuse disorders. The combination of aging buildings and residents with high service needs have led to a range of issues including elevator outages, vandalism, and plumbing and sanitation problems that add to the cost of maintenance and lead to high vacancy rates. Funding for operating subsidy for housing serving extremely low-income (ELI) residents would be particularly important to help affordable housing providers serve the lowest income residents at rents they can afford while maintaining housing in good condition.

San Francisco voters and elected officials have tapped various sources for affordable housing over the last 12 years, starting with the creation of the Housing Trust Fund in 2012 and followed by General Obligation bonds (discussed in recommendations 2.A.1 and 2.A.7). In 2018 voters approved Prop C Our City Our Home ballot measure, which implemented an increase in gross receipt tax to fund housing and services for unhoused residents. Elected officials have used ERAF property tax windfalls that the City receives periodically from the state as a funding source for affordable housing. San Francisco voters have also approved revenue increases for the City's General Fund like Prop I, a real estate transfer tax increase on higher price properties, which can be used to fund a range of city needs including housing. The Housing Affordability Strategies project, completed in 2020, looked at various local funding sources for affordable housing used by different cities and many of these sources have been adopted in San Francisco over the last 12 years. As the local economy improves and budget stabilizes, San Francisco elected officials, affordable housing and community development practitioners and advocates, and residents can identify additional funding streams for affordable housing within the context of the City's broader revenues and budget.

Timing:	Long (4+ years)
Type of change:	Legislative (federal, state, local), ballot measure
Issue area:	Enable/expand funding
Impact:	High SF could dedicate more funding in future years, which could help produce hundreds or thousands of units, but this funding may vary depending on overall budget health.
Effort:	Moderate Given better economic conditions, larger allocations from the General Fund to affordable housing would be bureaucratically simple and unlikely to be contentious. Voters have generally been supportive of affordable housing funding. Permanent or ongoing sources of funding might be a bit more challenging to implement.
Equity priorities:	Affordable housing production, affordable housing preservation, deeper affordability

Implementors:	Mayor, BOS, affordable housing and community development stakeholders

2.A.9. Continue to offer down payment assistance and other programs to enable middle income home ownership

The goal of San Francisco's homebuyer programs is to encourage and enable homeownership for first-time, moderate-income households. Existing programs include Below Market Rate (BMR) units, the Downpayment Assistance Loan Program (DALP), and the City Second Loan Program (CSLP). These homebuyer programs seek to fill a gap for moderate-income households, who do not qualify for most affordable housing programs that provide homes affordable at lower incomes. Homebuyer programs also enable households to build equity and generational wealth, a key request from communities of color, especially American Indian and Black residents. In FY 2020-2021, the DALP program provided $30 million in down payment assistance to residents.

Because downpayment assistance loan programs receive little federal and state support, San Francisco primarily funds these programs through General Fund allocations, GO bonds, and other local sources which means they are dependent on overall budget availability and can fluctuate from year-to-year. In order to ensure the program's longevity and access for moderate-income households, it will be important to continue to fund these homebuyer programs and increase funds, as available. This action does not recommend potential sources for new funding, but rather recognizes the importance of homeownership to moderate-income and American Indian and Black households and highlights the necessity for flexible sources of funding to contribute to this program.

Timing:	Medium (2-4 years) to Long (4+ years)
Type of change:	Administrative, legislative
Issue area:	Homeownership
Impact:	Targeted Funding and unit availability is generally low for these programs, but could be expanded. While homebuyer programs don't house large numbers of people or necessarily produce new housing, they are key to housing moderate-income households that are underserved by traditional affordable housing rental programs.
Effort:	Least Complex Programs already exist and maintaining the program is politically feasible. Many ways to maintain and grow the funding for these programs, including General Fund allocations that wouldn't require legislative changes or ballot measures. However, given the budget current city budget limitations and that DALP allocations isn't in the upcoming bond spending plan, it may be a sometime before programs are funded.
Equity priorities:	Homeownership, affordable housing preservation
Implementors:	Mayor, BOS, MOHCD

AFFORDABLE HOUSING INVESTMENT IN ACTION:

Providing Access to Homeownership Opportunities

"Mikaela works for the Department of Public Health and was born and raised in San Francisco. She moved to the Fillmore when her parents separated and moved to different neighborhoods with her child wherever they could find housing. For the last four years, she lived in public housing in the Bayview neighborhood. The DK-DALP program proved to be a fit for what she was looking for, and she is a great example of what's truly possible as it is important for her to create opportunities and wealth for her children."

Source: MOHCD Affordable Housing program testimonials
Image Source: MOHCD

DALP provides down payment assistance of up to $500,000 to purchase a market-rate property in San Francisco. The loan is intended to be used for the down payment on a property that will become a primary residence. It is funded through the Housing Trust Fund and affordable housing bonds. From July 2021 through June 2022, the DALP program helped 67 low to moderate-income households purchase a home, distributing over $19.9 million. The program anticipates serving up to 70 households between 2022 and 2024.

2.A.10. Encourage mixed income models within tax credit allowable income ranges in order reduce subsidy needs and create income inclusive communities

The deeper the affordability of a home, the greater subsidy, either public or private, it will require for both construction and operation. With a more diverse range of affordability levels, higher rents from units targeted at higher AMIs can cross-subsidize lower rents from lower-income units and reduce the overall need for subsidy in a project. San Francisco could consider working with affordable housing developers to serve a more diverse mix of incomes up to 80% AMI, the existing income maximum for projects to qualify for LIHTC.

Timing:	Short (0-2 years)
Type of change:	Legislative (federal, state, local), administrative
Issue area:	Mixed income housing
Impact:	Targeted Does not grow funding, but may enable some affordable housing projects to reduce reliance on subsidy and pencil out
Effort:	- Least Complex to Moderate

	Depending on the approach taken, this would require either advocacy to the federal or state government OR administrative or best practices changes within the City
Equity priorities:	Affordable housing production
Implementors:	MOHCD, CTCAC

2.A.11. Expand MOHCD's capacity as a housing finance agency by establishing a revolving loan program and other housing finance tools

Through MOHCD the City and County of San Francisco deploys a variety of funding and financing tools for affordable housing. MOHCD currently operates much like other local housing finance agencies, focused primarily on providing loans and public subsidy directly to affordable housing developers, with local funding raised through sources like bonds and fees. However, many of the financing tools currently used do not lend themselves well to long-term sustainability and maximizing impact in the way that other housing finance entities do.

Additional tools, such as a revolving loan fund, would allow MOHCD to expand lending programs and take advantage of more federal programs. A capitalized revolving fund is a self-replenishing pool of money, using interest and principal payments on old loans to issue new loans. It is often initially funded with a combination of public and private sources and then replenished by repayment of loans. A revolving loan fund can be used for the construction, acquisition, rehabilitation, predevelopment costs, and bridge financing. MOHCD currently makes first position, must-pay debt loans through the Preservation Seismic Safety (PASS) program, demonstrating MOHCD's ability to serve as a mortgage lender. The funds for PASS will run out in 2024 and MOHCD has explored the possibility of creating a revolving Preservation Loan Fund (PLF). The PLF would leverage remaining PASS funds and recirculate funds to support acquisition of at least 600 units and rehabilitation of at least 200 units. There are examples of other successful similar programs around the state and country. The Montgomery County Maryland Housing Opportunities Commission (HOC), for example, has successfully used their Housing Production Fund, a revolving fund, to replace private equity investors in mixed income transactions to complete non-LIHTC affordable housing projects (additional case studies available in the Appendix). A fund like HOC's could allow MOHCD to scale production without needing LIHTC or other local soft debt.

An open indenture is another financing tool San Francisco could consider to expand lending capacity. An open indenture is distinct from traditional conduit bond issuances, which are generally issued and secured on a project-by-project basis without credit risk to the issuer (i.e., the jurisdiction). In the case of an open indenture, pooled bond issuances fund and are secured by multiple revenue streams and/or assets that the agency holds, such as loans, rental income, property taxes, or reserves. The New York City Housing Development Corporation has the most robust model of this, which provides subsidized loans to their projects at 1 percent interest. San Francisco could capitalize a fund using a combination of public and private sources or in partnership with community lenders and private foundations. Interest from the loans made from the fund could both expand the fund and cover lending costs.

Finally, to utilize these tools described above, as well as other federal lending tools, San Francisco would need to form a separate legal entity, such as a joint powers authority between SFHA and MOHCD, to provide a balance sheet to lend from. Two valuable federal lending tools are the HUD Mortgage Risk-Share credit enhancement, which can reduce borrowing costs, and the Federal Funds Bank, that offers below market interest rate loans.

Pursuing these financing tools would require partnership and concerted collaboration between SFMOHCD and other public entities, most likely SFHA, to develop a JPA. The SFHA Board as well as the City of San Francisco would need to support the JPA formation. Building on their success with prior lending programs, SFMOHCD is well-positioned to then pursue the development of these financing tools, likely with support from financial consultants and CDFIs.

Timing:	Medium (2-4 years)
Type of change:	Administrative, partnerships
Issue area:	Capital funding
Impact:	High Establishing one or more capitalized revolving funds and other housing finance tools such as an open indenture or HUD Risk Share, would allow San Francisco to meet the low-cost debt needs of San Francisco developers.
Effort:	Moderate MOHCD already has experience lending and financing complex deals, however it will require MOHCD to target priority lending need(s) as well as securing the initial seed funding to begin this work as well as administrative changes to create a separate entity.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	MOHCD, SFHA staff and board, CDFIs, philanthropic partners

2.A.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

City support for the organizational development of San Francisco's smaller community based affordable developers is a valuable strategy to creating capacity for preservation and new construction. Capacity Building investment in nonprofit organizational capacity, staffing, systems and performance metrics can increase the number of entities capable of the acquisition, development, preservation, and long-term asset management of properties. To date, MOHCD has administered approximately $4M in capacity building grants supporting five community based nonprofit organizations.

Timing:	Medium (2-4 years)
Type of change:	Legislative (federal, state, local), administrative
Issue area:	Nonprofit housing developer capacity
Impact:	Targeted Emerging, local developers face many other organizational challenges beyond capacity, such as available funding, but this addresses a specific issue raised by equity communities in order to better serve their own housing needs.
Effort:	- Least Complex to Moderate Ongoing technical assistance as well as funding will be required to sustain organizational grown and stability, particularly in those times when. new development (which typically yields developer, property management and asset management fees that support developer organizations) is limited by budget constraints.

Equity priorities:	Equity community capacity, affordable housing production, affordable housing preservation
Implementors:	MOHCD, OEWD

AFFORDABLE HOUSING INVESTMENT IN ACTION:

Stabilizing Communities Through Nonprofit Ownership

"Earlier this year we were notified that our building (where I live) was up for sale. As many of you know, news of this nature can be overwhelming and all consuming. For an entire month I was affected with insomnia which shot my stress level through the roof.

Now, four months later, I can proudly say that our hard work paid off. Yesterday, I signed a 22-page lease for our spot. I'm happy to announce that as of today, it is official: MEDA is the new owner of my building!

This means that my Love, neighbors, furry babies and I get to stay in our homes for as long as we want. The building is now part of the permanent below-market-rate housing stock of the city. If we ever choose to leave, the units will go back to someone in need of affordable housing."

- Ani Rivera (Mission-Bernal resident)

Source: MOHCD Affordable Housing program testimonials
Image source: San Francisco Small Sites Program | Bay Area Equity Atlas

Since its launch in 2014, the City has helped nonprofit partners acquire 66 buildings (808 units of affordable housing) through the Small Sites Program (SSP) strengthening eviction and tenant protections for low-income households. The City funds SSP mostly with local funding sources, including in-lieu fees, General Obligation Bonds, and the Housing Trust Fund.

2.A. EQUITY CONSIDERATIONS

Expanding local affordable housing funding and capacity is a fundamental equity measure that is key to implementation of the equity-focused goals of San Francisco's Housing Element. Through the Housing Element and other policies, the City has committed to serving equity communities' needs. Expanded local capacity will allow San Francisco to better fulfill its affordable housing goals and meet equity communities housing needs. This will most deeply benefit equity communities who are currently most burdened by housing costs and who have frequently cited housing affordability and quality as top issues.

Given that supporting affordable production and preservation broadly furthers equity goals, this section highlights specific considerations that may help the City ensure that implementation furthers equity and mitigates unintended consequences. For example, while the City must find more funding for affordable housing production and preservation to meet its goals, the Leadership Council recommendations highlight the need for the City to focus on growing resources or using resources more effectively rather than taking resources from other crucial needs in equity communities.

Permanent sources of affordable housing funding could also help make delivery of affordable housing more consistent. Historically, affordable housing funding has varied widely from year-to-year, often due to policy decisions at federal or state levels or economic conditions beyond the City's control. This variability can delay affordable housing projects that can take years to complete. One-time funding sources, like bonds, are major tools for cities to raise funds for affordable housing. The recommendations also encourage decision-makers and residents to consider the need for ongoing and longer-term funding sources for affordable housing. While San Francisco voters have consistently approved bond measures that fund affordable housing, each return to the ballot requires a significant mobilization of resources and introduces some degree of uncertainty. With this in mind, the City would need both temporary and permanent sources of funding for affordable housing to bring more consistency and predictability to local funding.

Regulations set by state law impact how municipalities raise funds for affordable housing and other needs and can ultimately impact residents inequitably. For example, Prop 13 regulates how property taxes are assessed. (See Action 1.B.8. for a more detailed explanation of Prop 13.) Because Prop 13 benefits long-term property owners who bought properties when they were much cheaper with lower assessed values, funding sources that rely on property taxes will disproportionately be paid by more recent homeowners with higher assessed property values. Because proposition 13 applies indiscriminately regardless of income of the property owner and type of property, long time commercial property owners with extensive real estate holdings may pay taxes significantly below market value while recent homebuyers are paying property taxes on the full property value, a significant equity issue.

Increasing local capacity and coordination within City agencies and local affordable housing developers to produce and preserve affordable housing has synergy with various equity goals. The City, due to its existing relationships with community-based organizations and local knowledge, is uniquely positioned to help grow community development and housing capacity in equity communities. With greater City and community capacity, San Francisco can work with federal, state and regional programs and targeted local investment to better address housing priorities identified by equity communities.

Considerations of the potential inequitable burdens and consequences discussed here should not be taken to mean that the City should not pursue a specific action or actions within this recommendation. Rather, while affirming the opportunity to grow San Francisco's affordable housing production and preservation capacity, this report also prompts decision-makers to consider pursuing a diverse set of funding approaches that include these recommendations and more.

2.B. "One San Francisco" Approach to Coordinate the City's Housing Agencies

Recommended actions in this issue area offer a range of strategies to improve coordination, collaboration, and planning among City agencies that fund and permit housing and private actors that acquire, construct, and manage housing. Improved coordination and increased efficiency may help the City and its partners to maximize existing resources and reduce barriers to affordable housing delivery.

ACTIONS

2.B.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)

Successful examples from other jurisdictions highlight the significant benefits of municipal coordination as key to efficient deployment of resources and delivery of housing and services. Coordination of housing investments and funding reduces transaction costs on both the public and developer side, decreases development timelines, and allows for better management of the affordable housing development pipeline. San Francisco has the opportunity to build on existing collaboration across its housing agencies to further improve efficiencies across housing programs. For example, some cities have memorandums of understanding (MOUs) that formally outline inter-agency coordination, agency responsibilities, and process alignment.

Timing:	Short (0-2 years)
Type of change:	Administrative
Issue area:	Capital funding
Impact:	Moderate Improved coordination could help reduce transaction costs for the City and developers, as well as decrease the development timeline.
Effort:	Moderate Improving inter-agency coordination primarily requires administrative changes at the City level.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	San Francisco Board of Supervisors, San Francisco Mayor's Office, MOHCD, San Francisco Housing Authority, Office of Community Investment and Infrastructure, San Francisco Department of Homelessness and Supportive Housing

2.B.2. Establish emergency power framework to improve coordination across housing agencies

A state of emergency is an operational status that governments can invoke to grant extraordinary, temporary authority to take actions and mobilize resources to address a crisis. States of emergency are most commonly declared to respond to natural disasters and other threats to public safety, such as the COVID-19 pandemic. In recent years, some jurisdictions have invoked emergency powers to respond to chronic and severe social issues. in December 2021 Mayor London Breed invoked emergency powers to respond to unsafe conditions in the Tenderloin. This enabled the City to circumvent existing zoning and process regulations to set up the Tenderloin Linkage Center, to offer social services, food and hygiene facilities, a supervised drug usage site, and other essential services. It also allowed the City to dedicate additional funding and grants for infrastructure improvements, nonprofit services, and mobilize additional law enforcement. The City had previously invoked emergency powers to bypass zoning and regulations to build more shelters for unhoused people in 2019.

The potential uses of an emergency power framework are broad and could be applied creatively. In the future, San Francisco can consider what collection of emergency powers could be most impactful to respond to the housing affordability crisis. An example could be Los Angeles Mayor Karen Bass's state of emergency on homelessness. This declaration enabled the City of Los Angeles to lift regulations that impeded the construction of housing and shelters, mobilize additional resources to acquire rooms, properties, and land to house residents, and expedite contracts that immediately house residents.

Timing:	Short (0-2 years)
Type of change:	Legislative (Federal, State, Local), Administrative
Issue area:	Streamlining, homelessness
Impact:	Moderate Potential impacts could be expansive, but can only take effect for a limited time
Effort:	Moderate Is procedurally simple because it only requires the mayor to initiate the process and for the BOS to approve, but may be politically contentious depending on the specific powers invoked
Equity priorities:	Affordable housing production
Implementors:	Mayor, BOS, DEM, others

2.B.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)

Publicly owned land offers an opportunity for the City to produce affordable housing while paying little acquire land. San Francisco is committed to maximizing affordable housing production on publicly owned sites and should continue to fulfill this goal as sites and funding are made available. In recent years San Francisco has used a number of publicly owned sites for affordable housing development including a former SFPUC owned site for the 2060 Folsom Development the Kapuso Affordable Housing Development that was previously the Balboa Upper Yard owned by SFMTA. The federal government has also provided sites for example the 1064 Mission sites, former parking lot for the 9th Circuit Federal Court which has become supportive housing for formerly homeless. Current affordable educator housing is under construction at Shirley Chisolm Village, a former SFUSD site and affordable senior housing is under development at the Laguna Honda Hospital site.

On large sites where infrastructure development costs may be particularly high the City can consider partnering with market-rate development on larger mixed income developments to help speed development, help share infrastructure and affordable housing costs, and create mixed income communities. Examples include the Balboa Reservoir development that is being built on former SFPUC owned land and will include 50% affordable housing at low- and moderate-income levels. A site for future consideration is Laguna Honda, currently the site of the Laguna Honda Hospital and Rehabilitation Center. Located in a residential neighborhood and next to the Forest Hill Muni Metro station, the site is publicly owned and significantly underdeveloped. Housing of various income levels could be built on the site while retaining the existing hospital. There are also other nearby publicly owned sites that could also help provide additional housing opportunities in the area.

Timing:	Long (4+ years)
Type of change:	Administrative, best practices
Issue area:	100% affordable housing
Impact:	Targeted While there are a limited number of publicly owned sites that could be good candidates for affordable housing developments, these sites provide a unique opportunity to advance the City's housing and equity goals without paying land acquisition costs.
Effort:	Moderate Where land is already publicly owned, few, if any, of these sites are vacant. Sites, and existing uses, would have to be planned and redeveloped. The City would also have to identify funding and developers.
Equity priorities:	Affordable housing production
Implementors:	MOHCD, nonprofit developers, for-profit developers

Various affordable housing developments have been built on public land such as the Kapuso Affordable Housing at Balboa Park BART and 2060 Folsom at 17th and Folsom Streets

Source: [The Ingleside Light]

Source: Casa Adelante – Photo by Bruce Damonte

2.B.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

Affordable housing approvals process in San Francisco requires interacting with many City agencies to review compliance with State and local regulations and to receive permits. In order for the City to advance its housing goals, affordable housing projects need to be prioritized for shortened and simplified review and permitting processes, improved agency coordination, and greater flexibility or exemptions to local requirements.

As part of the housing approval process, developers are required to submit designs and plans to several City agencies for approval. Permits are reviewed by staff independent of timelines from other departments. Some permits are issued by departments far more slowly than others, which means construction may get dragged out and may need to be phased. Guidance and instructions from responsible departments on the process are ambiguous and at times conflicting.

Improvements could include greater coordination of street improvements with MTA, DPW, and other agencies when a project is in construction so that timelines on improvements could be phased in sequence together. For example, San Francisco Excavation Code establishes a five-year moratorium on excavating in streets that have previously been repaved or reconstructed in the last 5 years to protect infrastructure and integrity of the pavement. Street work for a housing project can result in the project paying for a large portion of the street improvements since the excavation work exposes the street. In addition, excavation permits are required as well as public notification adding cost and time. These requirements could waive affordable housing projects or could be scheduled to occur after the street trenching is completed.

Timing:	Medium (2-4 years)
Type of change:	Partnerships, best practices
Issue area:	Streamlining, cost lowering
Impact:	Moderate Will improve the permitting and approvals timing for affordable housing projects, but other funding and financing challenges remain for affordable housing developers
Effort:	Moderate Challenges include engaging and encouraging participation from other departments as well as technology upgrades to ensure better coordination, staffing capacity, and legislative updates between conflicting and ambiguous local and state rules.
Equity priorities:	Affordable housing production
Implementors:	Permitting agencies; agencies that oversee construction and public activities on public right-of-way

2.B.5. Establish ombudsperson to resolve permitting conflicts specifically for affordable developments

Developers have frequently cited San Francisco's lengthy, complex, and unpredictable entitlement and permitting process as major source of delays and costs. For 100% affordable projects the City has substantially reduced entitlement timelines for Planning and Building review and approval thanks to local initiatives and implementation of SB 35, a state law that streamlines approvals of affordable housing when cities have not met RHNA targets, as well as other state laws that provide a ministerial streamlining process, including AB 2162 and AB 2011. Yet even with these significant improvements, time consuming and costly challenges remain in permitting as described in recommendation 2.B.4 above. Different agencies must review and issue permits for projects even after they secure entitlements including review of fire safety, street improvements, and utility infrastructure, among others. Projects typically receive interagency review early in the planning process, however, when projects later pull permits for construction they can encounter delays, lack of clarity or consistency, or unanticipated requests for changes that can significantly add to costs.

In 2018, Mayor Breed established the Office of Housing Delivery (OHD) to help streamline the permitting process and shepherd projects through the process to ensure successful and timely approvals. OHD has primarily focused on supporting large projects with development agreements, which typically have hundreds or thousands of affordable units. The City could expand OHD's capacity in the form of an ombudsman, a staff person (or people) specifically tasked with resolving specific permitting issues as well as addressing systemic permitting and coordination issues for affordable housing. While OHD may play this role for some projects it may not have the capacity or recognized role among both affordable housing developers and City agencies to help resolve these challenges as comprehensively as needed.

Timing:	Short (0-2 years)
Type of change:	Administrative
Issue area:	Cost lowering, streamlining
Impact:	Moderate Could have broad-ranging impact on housing permitting and development across the City. Depending on the scale of this issue, it could help many stuck or delayed projects or more narrowly help projects by smaller-scale developers, who may not have the capacity to navigate the permitting process and aren't currently supported by the OHD.
Effort:	Least Complex This role is already, in part, being fulfilled by OHD. This could be an expansion of its existing scope and responsibilities.
Equity priorities:	Affordable housing production
Implementors:	Office of Housing Delivery

2.B. EQUITY CONSIDERATIONS

The goal of implementing a "One San Francisco" is to improve the speed at which affordable housing is delivered and to maximize the existing affordable housing resources. Improving the City's capacity to produce and preserve affordable housing not only allows us to make better use of the resources we have, but readies the City to handle more affordable housing production as it secures additional funding. Greater and more efficient organizational capacity allows more affordable housing to be built and preserved, which benefits equity communities the most.

The actions in this recommendation almost exclusively focus on process improvements and interagency coordination for affordable housing, aligning well with equity communities' housing priorities. Recommended action 2.B.4. proposes that the City consider mixed income development including affordable housing on large publicly owned sites, where market rate development can help fund extensive infrastructure and affordable units, providing more housing more quickly. Some equity communities have advocated that publicly owned lands should be exclusively developed as 100% affordable housing projects, citing the scarcity and the unique control the public has over these sites. The City should consider to weigh these considerations when determining what to do with any particular site based on its size, scale, complexity, timeline, and cost of development.

Broadly, equity communities' housing priorities are advanced when the City increases its affordable housing production efficiency and capacity. This capacity would allow the City to better fulfill its promise and responsibilities to equity communities' housing needs and the actions it takes should continue beyond those recommended in this section.

2.C. Lowering Costs of Producing Affordable Housing

Recommended actions in this issue area offer a range of strategies to address local conditions that add to housing production costs. These barriers include local building requirements, development fees, and high labor and construction costs.

ACTIONS

2.C.1. Reduce production costs through reduction in fees and requirements

San Francisco's local fees and requirements can increase affordable housing production costs, a significant concern especially when funding is tight. In general, the City imposes development fees on developers to offset the cost of providing public services to new residents in the area. The City also charges permitting fees for staff time reviewing plans and processing permits.

In addition to these, city agencies oversee requirements that range from street conditions and trees to building design, which all interact with the development of housing. City agencies are also responsible for interpreting local code to establish requirements and best practices for building affordable housing in the city. Yet, the intent of codes is to provide guidance and encourage a certain behavior, City agencies may interpret administrative codes as requirements, rather than guidelines placing additional stipulations on housing developers.

In 2023, the City made several efforts to address constraints in housing production to streamline housing approvals. Beginning January 1, 2024, Assembly Bill 1114 prohibits all post-entitlement appeals for housing development projects subject to streamlining requirements[vii]. Despite these changes, there are still numerous requirements and fees unique to San Francisco that add cost and time to affordable housing projects. Some of these requirements and fees include:

- **Development Fees:** Although affordable housing developers can request a waiver from development impact fees and building permit fees, there are still various fees imposed on affordable housing developments. Currently, the City requires 100% affordable housing projects located in the C-3 Zoning Districts to provide one percent of project construction costs to fund art or provide on-site public artwork. Last year, a member of the Board of Supervisors proposed to eliminate this requirement for affordable housing projects. Despite this effort, the amendment to the code was ultimately modest, changing the maintenance requirements of already installed public artwork. Additionally, there is a two percent fee of the gross estimated construction costs imposed on the financed portion of MOHCD funded housing developments for the purpose of Art Enrichment. Both fees could be considered for elimination so that scarce housing funding is used to fund housing.
- **Local Business Enterprise (LBE) and Local Hire Policies:** The City's Local Business Enterprise Ordinance (San Francisco Administrative Code Section 14B) and First Source Hiring Program (San Francisco Administrative Code Section 6.22) require developers to contract with local businesses and hire local residents to promote small, local businesses and provide job opportunities for San Franciscans. Rigid approaches to implementation, add cost and time to affordable housing projects meant to serve low-income residents. Contract Monitoring Division (CMD) and OEWD could issue guidance recognizing greater flexibility for projects. For example, projects using state funds may be subject to a standard of "good faith" effort to meet certain local goals.
- **Street Improvements:** Under the Department of Public Works' Street Excavation Ordinance, projects are forced to repave streets and take on larger street segments than what is necessary for the project. Improvements could include eliminating moratorium repaving requirements for affordable housing projects and better coordination with DPW on street requirements.
- **Electrical Service and Green Building Requirements:** Most publicly funded affordable housing projects are subject to public power provisions through the SFPUC as described in Action 2.C.2. In addition, affordable housing developments funded by MOHCD are also subject to green building requirements, Green Building code (AB-093). These requirements include site runoff pollution prevention, stormwater management, and, in

the near future, electrification of existing buildings. Without additional funding sources, these requirements can increase cost and time for projects.

- **Historic and Design Guidelines:** Historic Preservation provisions in Article 10 and 11 can trigger additional review on rehabilitation efforts for older affordable housing buildings and lead to added cost. In addition, Design for Development (D4D) standards in Development Agreements are used as a tool to regulate development controls and design, but can create inefficient designs through highly prescriptive design guidance, which leads to fewer units and more costly projects.

The ultimate goal is to provide high quality affordable housing for residents. The aforementioned fees and requirements slow the process and layer on additional costs that reduce total affordable housing produced over time. While the City has adopted streamlined processes in line with the State, the City could further improve processes and requirements by exempting affordable housing projects or providing flexibility on requirements and fees.

Timing:	Short (0-2 years)
Type of change:	Legislative, best practices
Issue area:	Cost lowering
Impact:	High Reducing development fees and permitting requirements would significantly speed housing delivery and cut costs.
Effort:	Moderate Barriers include political opposition to the reduced requirements; Agencies may have differing perspectives on granting affordable housing projects flexibility or exemptions to requirements. This would also require more coordination between agencies. It's a challenge to develop objective design standards that also incorporate flexibility in how they are applied to 100% affordable projects.
Equity priorities:	Affordable housing production, housing options in well-resourced areas
Implementors:	Mayor, Board of Supervisors, Planning Department, Permitting Agencies

2.C.2. Reform utility infrastructure and on-site requirements for efficient, reliable, and cost-effective service

Since 2015, the City has required 100% affordable housing projects built on City-owned land to use SFPUC provided power as a way to expand municipal power service in the City. Because most 100% affordable housing built in the city is on land that the City has funded the purchase of, most projects are subject to these requirements. The City's intent to expand public power, however, has resulted in higher costs for affordable housing projects by significantly increasing the time and cost to connect to power.

PG&E owns the grid infrastructure provides electricity and SFPUC must obtain distribution service from PG&E, costing projects substantially more through a Wholesale Distribution Tariff (WDT) agreement. Unlike an agreement with a retail customer who would be reimbursed, the WDT customer or project is responsible for the cost of any work required. Due to the nature of this arrangement, the cost of equipment, logistics issues, and slow response times have resulted in months of delays for affordable housing projects. For example, 4840 Mission Street is a 137-unit affordable housing project that experienced a 6-month delay from PG&E

infrastructure required after construction. The Project required an additional $8.9 million of gap funding from MOHCD to offset the costs of delays[viii]. The lack of transparency around the timeline for the delivery of services in PG&E's approach poses design and delivery issues for new buildings in the City and for other communities pursuing public power sources.

Recently, PG&E updated its WDT with the City, and this agreement updates terms with the service agreement, providing better protocols with connections, which may help address these issues. Policymakers and SFPUC could consider removing the requirement or delaying implementation until such time as use of public power is cost neutral for affordable housing developments.

Timing:	Long (4+ years)
Type of change:	Legislative (local), partnerships
Issue area:	Cost lowering
Impact:	High Modifying the requirement until the use of public power is cost neutral would considerably save time and costs, redirecting resources toward housing projects
Effort:	Most Complex PG&E prioritizes storm and wildfire impact ahead of connecting new buildings to the grid and inherently there is a conflict with the arrangement
Equity priorities:	Affordable housing production
Implementors:	PG&E, SPUC

2.C.3. Expand contractor pool and skilled construction labor supply

Low unemployment and a lack of skilled workers in the construction industry has adversely affected San Francisco's pipeline of local workers to build housing in the city and meet housing timelines. In 2022, the construction industry added 24,000 jobs nationally, but growth is still lags in the Bay Area. Contractors are falling short of meeting local hire requirements goals due to the lack of interest and dwindling talent pool. Construction has historically been a working-class industry and with a great loss of low to middle-income residents, the City is seeing participation levels in workforce development particularly in construction is leveling out. According to OEWD's 2023 Annual Report, the greatest challenge is "growing the pipeline of local workers".

San Francisco recently added new construction, specifically residential development on public land in the Local Hiring Policy. This policy expands economic opportunity for new workers into the trades, and while it may add pressure for general contractors to recruit more residents, this is a moment to expand the pool of contractors and upskill the workforce. The City may want to consider recruiting former San Francisco residents or expanding the geography of participants to San Mateo County and, particularly, the East Bay, which may have more lower income residents.

Timing:	Medium (2-4 years)
Type of change:	Partnerships
Issue area:	Cost lowering

Impact:	High Labor costs make up a significant part of the development process, and labor will be extremely in-demand if the region ramps up housing production to meet RHNA goals
Effort:	Moderate High cost of living, less interest in the industry, and low unemployment are factors that prevent the labor supply from expanding
Equity priorities:	Affordable housing production, equity community capacity
Implementors:	OEWD, Contract Administration

2.C.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)

The City's Local Business Enterprise (LBE) program encourages General Contractors (GCs) to contract with local businesses to create economic opportunity and promote small, local businesses, especially women and BIPOC owned firms. However, with a shallow pool of experienced contractors and high sub-pricing rates, GCs are struggling to balance City rules, high material prices, and subcontractor's needs.

For payment, subcontractors do not have the financial resources to support the City's lengthy draw process. LBEs may require expedited payments or weekly payments to sustain them. Another concern that has emerged is timing of when to bring on materials. Logistics are affecting timelines and material prices. Funding materials in advance would circumvent disruptions in construction. Early design coordination among all disciplines during the pre-construction stage was also raised as an issue slowing down progress. These process improvements can lower costs and increase coordination and capacity.

Timing:	Short (0-2 years)
Type of change:	Legislative (local), administrative, best practices
Issue area:	Cost lowering, process improvements
Impact:	Moderate Action has potential to reduce development costs and improve coordination, but does not create new streams of affordable housing funding
Effort:	Least Complex Action would only require administrative changes to regulations
Equity priorities:	Affordable housing production, equity community capacity
Implementors:	MOHCD, OEWD, CMD

2.C.5. Continue to implement use of lower cost building methods and materials that use skilled labor including pre-fabricated components and modular construction

Affordable housing developers typically use traditional construction methods, where construction materials are assembled on-site. Prefabricated components and modular units are a growing trend in construction since there is limited space in urban areas to assemble materials and can reduce total construction costs by up to 20%. Prefabricated components are various building materials that are assembled off-site in a factory and then transported to the site. Modular construction is individual prefabricated units produced offsite, which has recently been demonstrated by the successes of 833 Bryant and 33 Gough. Another example of innovative construction type is mass timber. Mass timber is a wood product that is comprised of solid wood panels that are nailed or glued together, which is comparably durable to steel and concrete. Also known as cross-laminated timber, it is an attractive alternative, as it is a low-carbon material and is known to lower total construction costs since each panel is prefabricated.

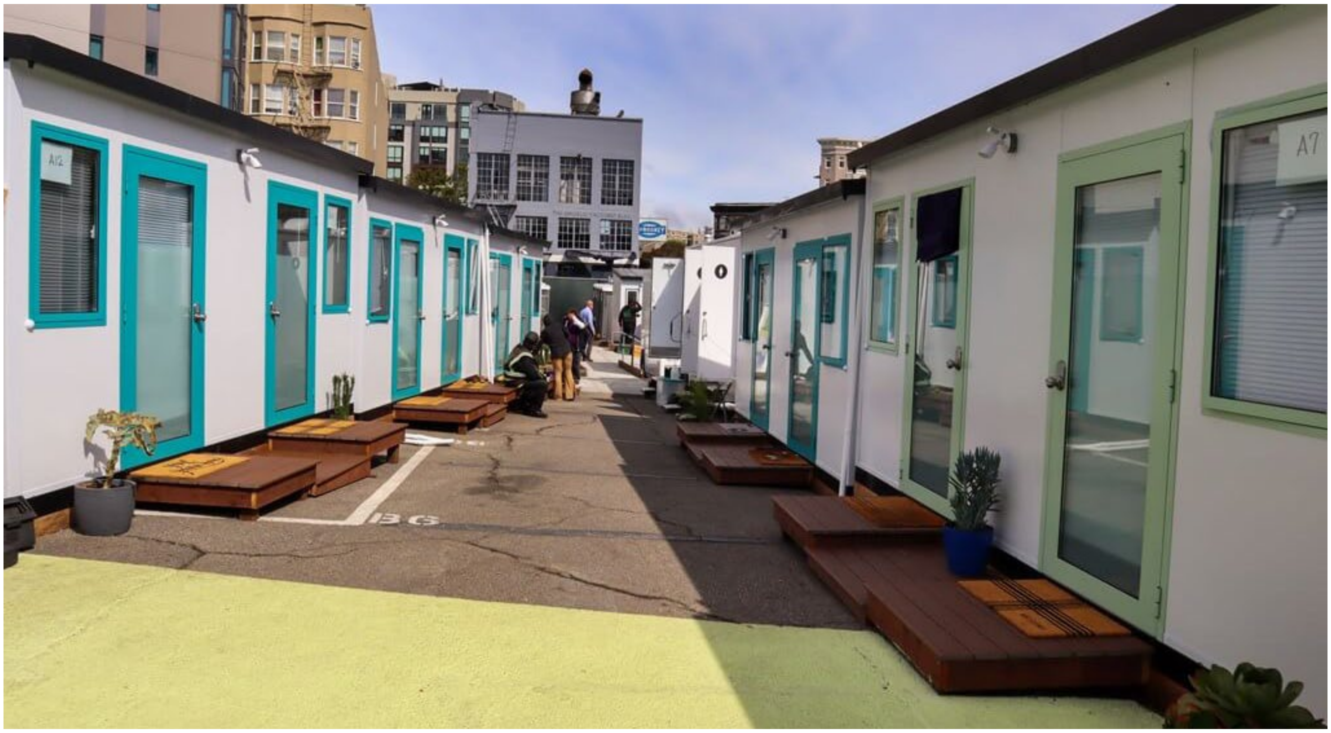
San Francisco could work with suppliers and GCs encourage and the use of prefabricated building materials.

Examples of prefab and modular:

- 833 Bryant, Tahanan
- 33 Gough, Dignity Moves

Timing:	Medium (2-4 years)
Type of change:	Best practices
Issue area:	cost lowering, development process
Impact:	High Construction materials make up one of the largest costs in the development process and experience high variability, giving developers greater flexibility in building materials and methods could significantly reduce construction costs
Effort:	Moderate Material costs are driven by the market and supply chain so if these materials are not readily available and are costly it could be another barrier.
Equity priorities:	Affordable housing production
Implementors:	Nonprofit affordable housing developers, suppliers

70 Prefabricated units at 33 Gough



Source: San Francisco Tiny Home Village | Communities | DignityMoves

2.C.6. Encourage innovative pilots with reduced regulation and/or newer construction types to demonstrate approaches that can scale lower cost and faster housing delivery	
As demonstrated, the typical 100% affordable housing development in San Francisco navigates through a winding path through San Francisco's current regulatory framework. In partnership with private and philanthropic sectors, new models of housing have recently come online with reduced regulatory permitting and requirements. These pilots are structured in a way that reduces city requirements and streamlines regulations, so that these projects can be implemented swiftly, providing much needed housing options and addressing the urgent need for affordability. Reduced permitting processes promote a culture of innovation by allowing developers to explore efficient construction methods. This not only accelerates the pace of housing development but also fosters creativity in design and sustainability. By encouraging innovation, the City can harness the potential of the private and philanthropic sectors to engage in innovative ventures and create, ultimately benefiting both the local economy and residents seeking affordable housing solutions.	
Timing:	Short (0-2 years)
Type of change:	Administrative, partnerships, best practices
Issue area:	Cost lowering, development process
Impact:	Moderate Pilot programs could pave the way for the City to move faster on projects and coordinate better with City permitting agencies, however these projects are infrequent.

Effort:	⚙⚙⚙ Most Complex Each project is very intensive on staff time and expertise and requires an experienced team that can build political support to address policy and implementation concerns.
Equity priorities:	Affordable housing production
Implementors:	Nonprofit affordable housing developers, MOHCD, regulatory city agencies

2.C. EQUITY CONSIDERATIONS

Similar in nature to Theme 2.B., the purpose of the recommended actions in 2.C. focus on strategies to reduce cost and improve the City's performance in delivering affordable housing that primarily serve equity communities. In examining the actions in this section, each action supports and advance equity goals by accelerating affordable housing production and supporting the local workforce involved in constructing these projects.

By prioritizing affordable housing and the need to simplify processes and reduce costs to build more housing, the City may be forgoing other city goals that may serve equity communities. But in general, the range of benefits that safe and stable housing provides for equity communities is paramount to the City's livability and prosperity.

3. Further Innovation in Affordable Housing Development

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.

Context

San Francisco's need for affordable housing far exceeds currently available funding from federal, state, regional, and local sources as described in prior sections of this report. While expanding funding streams from all levels of government is key to expanding affordable housing production, San Francisco can also use innovative financing models and alternative approaches to produce affordable housing. The recommendations in this section are not intended to replace affordable housing funding sources but rather to offer additional paths to produce more affordable housing. These innovative and alternative paths can also inform the way the City and other levels of government fund and finance affordable housing to make programs and investments more impactful by increasing speed, lowering costs, and introducing new approaches. Creative collaboration with other sectors such as nonprofits and philanthropy as well as large institutions, can be instrumental to piloting new models for affordable housing production. Working with the private sector to enable more privately funded housing that is affordable at moderate incomes can also help produce housing without significant public subsidy.

INNOVATIVE AND ALTERNATIVE FINANCING AND FUNDING MODELS

As described earlier in this report, most affordable housing for lower income households built today is funded through federal and state tax credit programs (see Affordable Housing Context). The limited supply of tax credits and tax-exempt bonds has made it more difficult for local governments and nonprofits to grow production of affordable housing. Given this context, San Francisco will likely need to consider innovative and alternative approaches such as maximizing use of currently underutilized public financing tools as well as supporting alternative funding and financing tools.

The Leadership Council proposes a range of potential public financing tools in their recommendations. One example is Infrastructure Financing Districts (IFDs), a type of Tax Increment Finance (TIF) that can be utilized within a specific area to invest in infrastructure and affordable housing. The Joint Powers Authority (JPA) model offers another alternative financing tool. A JPA is created when two or more existing public entities enter an agreement to address a common problem or shared project, like the Transbay Joint Powers Authority established to build the new regional transit center in San Francisco. Public entities can also use a JPA to consolidate resources, take advantage of tax exemptions on shared property, and utilize tax-exempt bond financing powers to build affordable housing.

While public funding is essential to affordable housing, it can often move slowly due to extensive requirements and bureaucracy. To enable more nimble housing production and preservation, the City can consider additional ways to support affordable housing that uses nonprofit and private financing tools alongside public funding. The City helped launch the Housing Accelerator Fund (HAF) with an initial investment to provide flexible and expedient financing of affordable housing. The HAF is a mission-driven lender that provides capital with beneficial loan terms to qualifying affordable housing projects quickly. Many other cities have created vehicles to offer lower cost financing or issue bonds or provide other financing tools. In addition, partnerships with private capital, like that in CDFIs and philanthropic organizations, can move much faster than public funds. The speed of funding is especially key during the land acquisition or acquisition of existing housing for preservation where affordable housing developers and the City may be competing with other developers to purchase sites. These partners can also help fund and finance creative financing models that may not currently be supported by public funding requirements.

CROSS-SECTOR PARTNERSHIPS FOR CREATIVE FUNDING AND FINANCING

Much of San Francisco's Affordable Housing sector is driven by partnerships between community based nonprofit affordable housing developers, city government, state and federal agencies, and nonprofit, philanthropic, and other private organizations. Building on this diverse affordable housing ecosystem, new partnerships and approaches could expand affordable housing production through creative use of existing land and resources and developing new approaches to funding and building affordable housing.

A recent and widely hailed example of public and private actors successfully coordinating on an affordable housing project is 833 Bryant Street. SF Housing Accelerator Fund partnered with Mercy Housing and philanthropy to develop a new model for building permanent supportive housing. Prior to this project, the average affordable housing project in San Francisco took 6 years to complete at a cost of $600-700,000 per unit. In under 3 years, 833 Bryant delivered 145 studios at a cost of $383,000 per unit. Multiple factors contributed to this result, including 833 Bryant's access to flexible funding through the HAF that was unrestricted by typical government funding regulations, streamlined approval granted under SB 35, and off-site construction of modular units. 833 Bryant stands as not only a success in its own right, but a model for approaches the City could further implement or enable for other affordable housing projects.

Source: [Tahanan Supportive Housing | DB Architects]

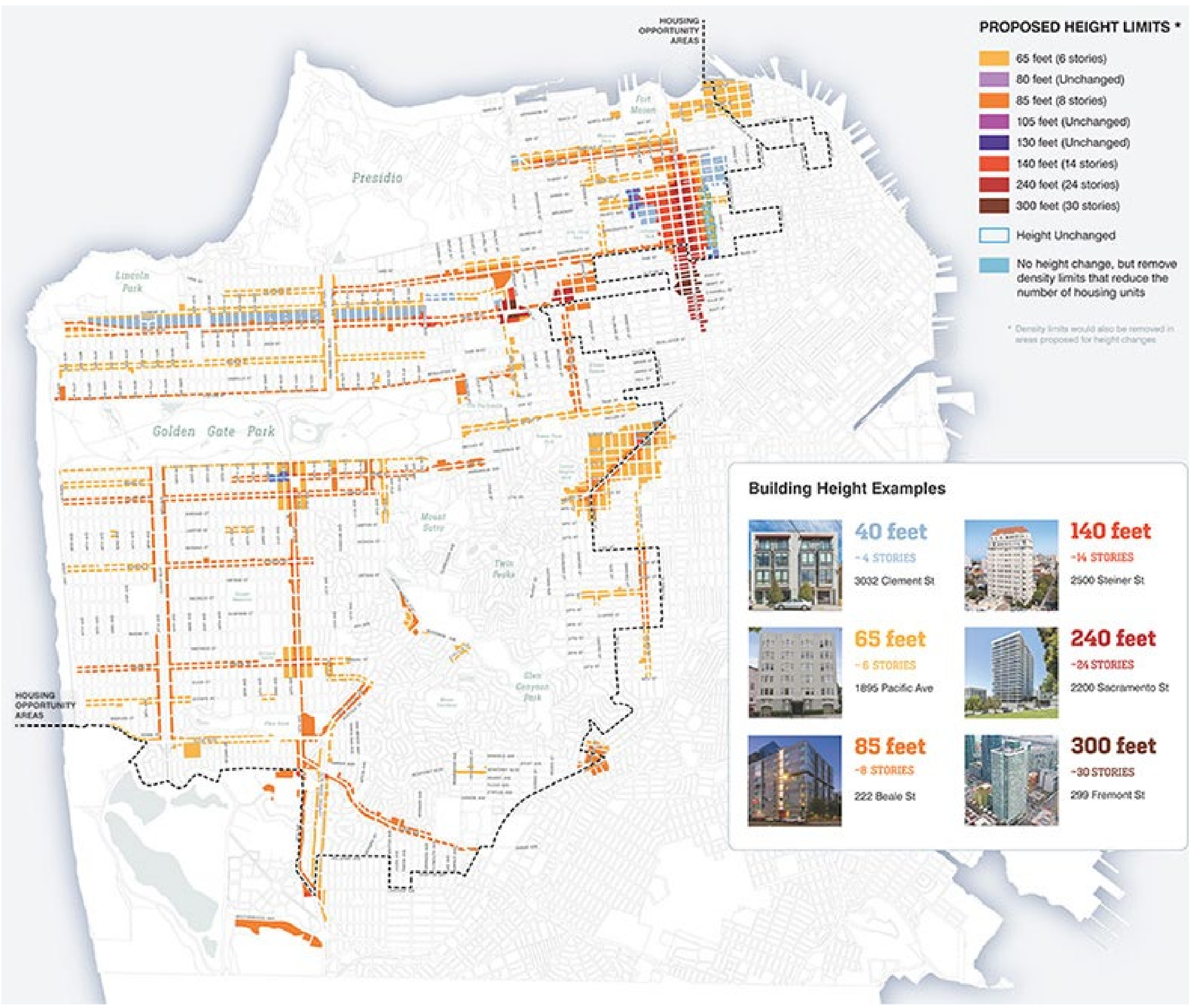
Historically, faith-based, educational, and other community-based nonprofit organizations have played a role in producing affordable housing. Underutilized land owned by religious organizations and other nonprofits could be particularly useful in developing housing, particularly with the passage of SB 4 which enables affordable housing on land owned by religious and educational institutions as well as other state laws meant to facilitate and speed affordable housing. The City can also continue to prioritize public sites for affordable housing and housing development.

REZONING, PROCESS CHANGES, AND OTHER TOOLS TO ENCOURAGE AFFORDABILITY WITHOUT SUBSIDY

San Francisco's rezoning project, branded as "Expanding Housing Choice," aims to expand housing affordability and availability by allowing for increased density and some height changes in areas considered well-resourced according to state analysis. The well-resourced neighborhoods are clustered in the west, north, and center of the city. For decades, zoning in these neighborhoods restricted the construction of multifamily housing by applying single-family or other low-density zoning. As a result, very little new housing, especially affordable housing, has been built in neighborhoods that cover more than half the city. The rezoning will focus particularly along transit and commercial corridors, recognizing the value of access to high-quality transit and community services. For much of the last four decades, most new housing that has been built in the eastern neighborhoods of the city where multifamily and affordable housing had traditionally been allowed and where former industrial or commercial land, Navy bases, freeways, and railyards have been converted to residential and commercial development. The rezoning will allow a broader range of diverse housing types throughout the city that could provide affordable options in more places.

Small and mid-size multifamily buildings have historically been more affordable to moderate-income renters. Few of these buildings, however, have been built in recent years as most development focused on larger buildings that are more costly to construct and more likely to have extensive amenities that are aimed at high-income renters and buyers. The rezoning and other policy changes offer the opportunity to encourage more small- and medium-sized multifamily buildings that could be affordable without public subsidy. Aligning approval and permitting processes, fees, building and planning codes, and other requirements to support small and medium multifamily can help meet moderate income housing needs. Allowing other forms of multifamily housing such as co-housing, rooming houses, and group homes could also provide more flexible and affordable housing options in more of the city without subsidy.

Figure 20. Proposed Height Limit Increases (January 2024)



Source: [SF Planning]

Accessory Dwelling Units (ADUs, or also in-law apartments, granny flats, or cottages) offer an example of how changes in zoning and process can enable moderate-income housing options. Historically, zoning restricted the development of ADUs, but over the last 10 years local legislation as well as state laws like SB 13 have encouraged homeowners to build ADUs by removing previous requirements like parking and expediting approval if the project is code compliant. ADUs have grown to make up nearly 20% of new housing units approved statewide. San Francisco has built hundreds of ADUs since 2014, with most of them on lots with existing multifamily housing of three or more units. California passed the HOME Act (SB 9) in 2021, which facilitates the construction of duplexes and other small multifamily buildings by requiring municipalities to ministerially approve projects that create a duplex or subdivide an existing lot on a currently single-family zoned parcel. While the number of ADU projects has increased in San Francisco, it remains modest compared to some other cities and there have been few SB 9 projects. Limited awareness, limited financing options, and high construction costs have been a deterrent for many property owners to add units. To encourage ADU and small multi-family development, the City can implement programs and incentives and nonprofits or other partners could provide training and technical assistance.

The rezoning project, combined with legislative changes and incentives for additional small multifamily housing development, can unlock untapped housing capacity in areas where growth has been historically limited. By enabling existing homeowners and developers to utilize this potential, the city can create opportunities for more diverse and affordable housing types.

THEMES

The Leadership Council's recommended actions to execute this recommendation are grouped into three themes, further detailed below:

3.A. Innovative Financing Models to Produce Affordable Housing

3.B. Rezoning and Process changes to Support Affordability with Minimal Subsidy

3.C. Cross Sector Partnerships

3.A. Innovative Financing Models to Produce Affordable Housing

Recommended actions in this issue area offer a range of novel financing models to help us increase funding sources or maximize existing funding to deliver affordable housing. These recommendations explore options beyond the traditional tax credit model, which currently provide the majority of affordable housing funding at the federal and state levels.

ACTIONS

3.A.1. Use local bonding authority and JPA/government ownership models to create a moderate-income preservation program

There are very few affordable housing subsidy programs that serve households that earn 80% to 120% of Area Median Income (AMI), otherwise known as moderate- or middle-income households. Most federal and state programs serve very-low and low-income households. Yet, there is a growing need for housing affordable at middle-income housing and a financing gap to build housing in this range since rents and sale prices affordable at these incomes may not cover high construction costs. Joint Power Authorities (JPA) offers an alternative path to finance middle housing rather than reforming California's state tax policy and going through a state referendum.

In the last few years, a growing number of local governments in California have formed Joint Power Authorities to finance middle-income housing. JPAs are legal entities that allow public agencies to jointly use common powers, or shared purpose. In the case of middle-income housing production, this structure enables jurisdictions to issue bonds and own property with private investors to finance middle-income housing funded by tax-exempt bonds coupled with property tax exemptions. These funding mechanisms can help cover the cost of building or preserving housing affordable at moderate incomes.

The benefits of the model is that the City does not need to provide up-front subsidy to support the affordability of the development, however, would not receive the property tax revenues from the property. With limited resources to fund middle-income housing, San Francisco could consider JPAs as a viable option to expand housing supply, especially when the City sees stable economic growth and tax revenues return. Currently, only one project in California is using the JPA model for new construction in Sacramento. While the JPA model has been mostly been used for acquisition with little oversight, the City could structure a JPA model with other financing tools and monitoring.

Timing:	Medium (2-4 years)
Type of change:	Legislative (local), partnerships
Issue area:	Enable/expand funding
Impact:	High JPA structure does not rely on City, state, and federal funds for capital, relieving the City of financing the project from its existing affordable housing funds.
Effort:	Moderate JPA middle income housing is a new model and there is a balancing act with affordability and using the tax exemption.
Equity priorities:	Affordable housing production, housing options in well-resourced areas

Implementors:	Local municipalities, housing agencies, and private investors

3.A.2. Create IFDs or EIFDs for large-scale projects to fund infrastructure and advance housing production, including required affordable housing

Before the dissolution of Redevelopment Agencies (RDAs) in California, RDAs relied on Tax Increment Financing (TIF) tools to generate revenue and were legally mandated to allocate at least 20 percent of revenue towards affordable housing. Up until 2012, the San Francisco Redevelopment Agency provided most of the local funding for San Francisco's affordable housing, and its loss significantly affected the level of resources available for affordable housing locally.

After RDAs were dissolved, several TIF tools were created by the state, such as Infrastructure Financing Districts (IFDs) and Enhanced Infrastructure Financing Districts (EIFDs). IFDs are a version of TIF available for use outside the boundaries of redevelopment areas. The IFD is governed by an Infrastructure Financing Plan and is authorized to collect tax increment from California's general one-percent property tax. EIFDs are similar to IFDs, however EIFDs can be established without voter approval and may be initiated by any affected taxing authority, including a city, county, or special district. There are three districts in San Francisco that use post-redevelopment TIF tools including Treasure Island (IRFD), Rincon Hill (IFD), and the Port of San Francisco (IFD). Additional details are available in the Appendix.

San Francisco can assess major areas of development within the city and their related infrastructure needs, and explore the application of TIF tools, with an explicit focus on affordable housing.

Timing:	Medium (2-4 years)
Type of change:	Legislative (local)
Issue area:	Enable/expand funding
Impact:	- Moderate to High Greater utilization of existing TIF tools, or a future redevelopment successor, could provide considerable additional resources for affordable housing and capacity for land assembly, although the specifics of this additional support vary widely depending on what tools are leveraged and/or created.
Effort:	Most Complex Given the significant upfront planning and political support needed for a new TIF district, the city would have to identify areas of the city slated for significant new development and conduct financial feasibility analyses and modeling to determine costs and benefits of a TIF district.
Equity priorities:	Affordable housing production
Implementors:	MOHCD, OCII

IFDs are part of the infrastructure and financing plan for Treasure Island

Source: Treasure Island Development Authority

3.A.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

As reflected throughout this report, affordable housing development often requires combining complex funding programs and navigating complex bureaucratic requirements at various levels of government. Mission-driven lenders such as the HAF, CDFIs, and philanthropy can play an important role in funding alternative or creative affordable housing projects to catalyze promising models like 833 Bryant and the proposed 1633 Valencia. These projects can point the path forward for improving existing rules and systems, using creative financing and funding structures, using new construction approaches, and showing ways to reduce costs.

The Tahanan Supportive Housing development at 833 Bryant is a recent pilot project that has shown the impact of circumventing certain local bureaucratic requirements and using creative financing and construction approaches. The HAF provided upfront funding for site purchase and development that allowed the project to move more quickly and at lower cost. Structuring the City's contribution as permanent or "take-out" financing and the City's commitment to provide ongoing operating funding and a master-lease for supportive housing were key components of the project's success in delivering housing for formerly homeless adults at lower cost (more than 25% less expensive than comparable projects) and more quickly (more than 30% faster). The project sponsors were able to use the City's commitment to leverage both public funding and significant private philanthropic resources. The project represents a template for application to future affordable housing executions, especially when looking at creating permanent supportive housing on an expedited timeline. The project's approach and results are described in a recent Terner Center Report. The city can continue to work with nonprofit, philanthropic, and other private partners to develop innovative affordable housing projects with creative financing approaches to help test potential changes or implement and scale new approaches.

Timing:	Short (0-2 years) The model is currently being replicated at 1633 Valencia as an additional housing innovation pilot project, with the opportunity to standardize the program model in the medium term.
Type of change:	Partnerships, best practices
Issue area:	Capital funding

Impact:	High Innovative financing and development projects will inevitably have mixed results but some will provide more widely impactful and/ or replicable models.
Effort:	Moderate Developing creative financing, funding, and development concepts and shepherding them from idea to execution can be challenging but the flexibility provided by nonprofit and philanthropic partners and City collaboration can allow these pilots to succeed.
Equity priorities:	Affordable housing production
Implementors:	Philanthropy, CDFIs, MOHCD and HSH

3.A.4. Provide technical assistance to support infill development under SB 9 provisions or innovative ADU programs

While California and San Francisco have made various changes to zoning and process through ADU laws and duplex rules provided by SB 9 to allow additional housing to existing residential properties, many small property owners who may be interested in adding units may be intimidated by the process and costs due to lack of experience with housing development and lack of access to capital.

City, state, and federal agencies, nonprofits, lenders, philanthropy, and other partners can work individually and together to try to bridge these gaps in capacity, knowledge, and financing tools for small property owners. Local elected officials and City staff can continue to simplify requirements and reduce fees as well as provide clear guidance and model plans for adding housing units to existing properties. Making loans or providing technical assistance to individual small property owners may be beyond the capacity of City staff. Nonprofits, philanthropy, and lenders can pilot education, training, and financing models to scale successful approaches more broadly. The models from nonprofits and lenders could then be combined with potential financial incentives described in recommendation 3.B.4 to help support more small property owners to add housing.

Timing:	Medium (2-4 years)
Type of change:	Legislation (state, local), partnerships, best practices
Issue area:	Homeownership, enable/expand funding
Impact:	Moderate San Francisco has been adding ADUs at a rate of a few hundred per year with limited numbers of SB 9 duplex projects. While it is likely production of these housing types can expand, it may take time to find the right models to support small property owners.
Effort:	Moderate It will take coordination among public agencies, funders, and community organizations working with small property owners to identify and scale successful models.
Equity priorities:	Homeownership, and housing options in well-resourced areas
Implementors:	Planning Department, DBI, MOHCD

3.A.5. Research and implement innovative models of infrastructure financing in order to reduce cost burden on affordable housing development

Infrastructure such as utilities, streets, and other improvements can be a key prerequisite for housing development, especially on larger parcels or areas with minimal or incomplete existing infrastructure. As mentioned above, advocating for continued and expanded state and federal funding to address infrastructure needs is vital. Additionally, the Federal Infrastructure Investment and Jobs Act may provide opportunities for federal funding for infrastructure. The City could consider this and other federal resources as underutilized resources. In combination with these efforts, the City could pursue innovative models to cover the cost of infrastructure. Infrastructure Finance Districts represent one such model that San Francisco is already deploying, and other value recapture mechanisms could be evaluated for application in San Francisco.

Timing:	Medium (2-4 years)
Type of change:	Administrative, partnerships, best practices
Issue area:	Capital funding, cost lowering
Impact:	Moderate Given that particular strategies have not yet been identified it is difficult to evaluate a significant impact, however, solutions are needed and possible.
Effort:	Moderate These efforts of research and implementation will be spread over a number of organizations, requiring collaboration with academics, nonprofits, other cities, and others to share information and identify and implement solutions.
Equity priorities:	Affordable housing production
Implementors:	City agencies and nonprofit, academic, and philanthropic partners

3.A.6. Pursue Joint Ownership models to increase small site developer capacity by centralizing and aggregating asset management responsibilities

Much of San Francisco's existing and potential affordable housing stock is represented in units in small- to mid-sized multifamily buildings. Small sites, however, pose a challenge to nonprofit affordable housing developers due to high variable costs that compound with each additional site and limited flexibility for reserves or residuals from one site for use across other sites, among other issues.

One potential solution may be encouraging the formation of Joint Ownership Entities (JOEs), which take advantage of economies of scale to support and cross-subsidize projects. JOEs act as an asset management organization that acquire and manage affordable housing sites on behalf of the nonprofit affordable housing developers that make up its membership. Through this partnership, nonprofit developers can pool resources to create liquidity that can be utilized, as needed, to maintain the larger portfolio, acquire sites, and act as a co-guarantor on financial deals. While member organizations typically maintain their own property management responsibilities, a JOE could also establish and enforce a property management standard across its portfolio. A successful example and a case study for future research is The Joint Ownership Entity New York City Corp. (JOE NYC). After a multi-year negotiation process with local community development corporations, JOE NYC began operations in 2019 and has been successfully managing the portfolio and acquiring sites on behalf of its 11 members.

San Francisco city agencies, regional agencies and partners, and affordable housing stakeholders can study examples of successful JOEs and develop proposals to pilot and/ or implement a JOE in San Francisco and/or the region.

Timing:	Long (4+ years)
Type of change:	Partnerships
Issue area:	Cost lowering
Impact:	Targeted Is not a novel source of funding, but can help existing affordable buildings maintain financial health and better utilize existing affordable housing resources.
Effort:	Moderate Establishing a JOE requires extensive planning and buy-in from a group of nonprofit developers, who may each have different assets and financial health conditions. Asset managing the portfolio once established is an ongoing task that requires sophisticated and specialized knowledge.
Equity priorities:	Affordable housing production, affordable housing preservation
Implementors:	MOHCD, nonprofit affordable housing developers

3.A. EQUITY CONSIDERATIONS

To meet San Francisco's housing goals, innovative tools such as IFDs and JPAs could be helpful in funding the production of affordable housing. A key consideration for both models, however, is that they may divert a portion of property tax funds from other uses. Because JPAs can be used to finance low- and moderate-income housing, it is important to ensure the property tax exemptions they enable are used to subsidize buildings offering below market rents and serving income levels with significant need. Infrastructure financing districts use TIF to fund housing and other infrastructure. Because TIF uses the increment (or increase) in property taxes occurring within an area, it does not reduce property tax revenue for the city. It does, however, redirect the increment to housing and infrastructure investment for a period of time. IFDs also have the ability to leverage debt for upfront investment that is paid off over time with TIF revenue. Both JPA and IFD models offer ways to use property taxes (abatements or incremental revenue) to fund housing across various income levels, however, they do divert some portion of property taxes from General Fund for at least some period of time. Therefore, in implementing these strategies the City should seek to strike a balance between different funding priorities when deploying these tools.

3.B. Rezoning and Process changes to Support Affordability with Minimal Subsidy

Recommended actions in this issue area offer a range of strategies to support the construction of affordable housing types that do not require extensive public subsidies. Through modifying zoning rules and streamlining processes, the City may be able to support the development of more affordable housing without the need for additional public subsidies. This approach also aims to disrupt historical development patterns and foster an environment where developers can feasibly build diverse housing types throughout San Francisco.

ACTIONS

3.B.1. Develop incentives to encourage moderate income rental housing production in high opportunity areas as part of the Housing Element Zoning program

Fulfilling a mandate established in the 2022 Housing Element Update and state requirements, San Francisco is rezoning areas of the city considered well-resourced to add more housing capacity through the Expanding Housing Choice project. Its focus is on enabling small and midrise development through changes to density and height regulations, clear and objective code standards, streamlined approval processes for compliant projects, and other affordable housing and rental housing incentives. The rezoning program aims to encourage new housing in well-resourced areas where low-density zoning and other factors have hindered housing development. Acknowledging that rental housing currently faces financial challenges compared to for-sale housing, additional incentives beyond regulatory changes may be necessary to enhance the likelihood of housing development. The City could reduce fees and limit rules that impose increased costs. Additionally, the city could assist small- and medium-sized housing projects with flexibility in meeting inclusionary housing requirements, through in-lieu fees or rent control. Development of additional incentives, such as property tax abatements, tax increment financing, and additional tax credits, would likely require legislation at the state level.

Timing:	Medium (2-4 years)
Type of change:	Legislative (local), administrative
Issue area:	Cost lowering
Impact:	- Moderate to High The rezoning initiative is transformative, enabling a broader range of housing options to be constructed in high-opportunity areas. However, the success of this transformation heavily relies on the financial feasibility of development projects, which may be beyond the City's control.
Effort:	Moderate Due to coordination with multiple city agencies and challenges to legislative changes.
Equity priorities:	Affordable housing production, housing options in well-resourced areas
Implementors:	Planning Department, BOS, Mayor

3.B.2. Incentivize conversions of under-utilized office buildings to residential

The landscape of office space has shifted dramatically in San Francisco, with vacancy rates reaching almost 35% as office-based businesses shift to different modalities of work, according to commercial real estate firm CBRE data. Prior to the pandemic, office vacancy was around 4%, with businesses struggling to find space. To meet housing goals and shift the economic state of downtown San Francisco, the City has implemented the Commercial to Residential Adaptive Reuse Program which encourages the conversion of office spaces into residential units in Downtown. The program aims to facilitate these conversions by removing constraints in the Planning code and incentivizing developers to complete conversions. Compliant project could receive zoning modifications and waivers from Planning Code requirements, such as streamlining of administrative approvals, reducing requirements for streetscape improvements and open space, along with other time- and cost-saving incentives.

While office-to-residential conversion is permitted, it may not be financially feasible. Therefore, the City could offer financial incentives to further support the conversion of underutilized office spaces, such as removal of fee requirements or flexibility in meeting inclusionary requirements. Enabling legislation from the state level might be needed for other changes related to property taxes, like flat-rate tax abatements or use of TIF. While code and process changes are crucial for facilitating adaptive reuse projects, developers need to be incentivized through both regulatory changes and financial support to take on conversions and contribute to expanding the city's housing stock.

Timing:	Short (0-2 years)
Type of change:	Legislative (local), administrative (local)
Issue area:	Cost lowering
Impact:	Moderate Relatively limited number of buildings and relatively high cost of conversions, but If 40% of the currently unleased space could be physically converted to housing, 11,235 units could be created.
Effort:	Least Complex Already in progress
Equity priorities:	Affordable housing production
Implementors:	Planning BOS, Mayor

3.B.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

Environmental review is an important step in identifying, mitigating, and disclosing potential environmental impacts of proposed development. However, these reviews can lead to costly delays, even for projects with limited environmental impacts and crucial benefits, such as adding housing near transit and other services. Additionally, the environmental review process can be coopted by actors aiming to interrupt or stop projects that they oppose for aesthetic and other non-environmental concerns. Guided by the Mayor's Housing for All Executive Directive, SF Planning has made significant changes to the city's environmental review processes, aiming to reduce time and costs while remaining in compliance with the California Environmental Quality Act (CEQA).

The 2022 Housing Element Environmental Impact Report (HE EIR) provides analysis of the environmental impacts associated with projected housing development in the city over the next three decades. Improved environmental review processes include a tiering process, enabling projects within the scope to leverage the HE EIR. By drawing upon the environmental studies already conducted within the Housing Element, tiering expedites timely environmental review and eliminates costly studies that act as a barrier to building more housing. By utilizing programmatic EIR's, Planning can continue to conduct a streamlined and cost-effective environmental review process.

Timing:	Short (0-2 years)
Type of change:	Administrative
Issue area:	Cost lowering
Impact:	Moderate Saves time and money, but does not directly fund affordable housing
Effort:	Least Complex Already done for 30 years, allowing complaint projects to tier-off of the Housing Element environmental impact review.
Equity priorities:	Housing options in well-resourced areas
Implementors:	Planning Department

3.B.4. Support efforts to create housing that is made more affordable through design (e.g. group housing and small multifamily)

Historically, various housing types, including group housing and small multifamily housing, have been restricted in lower density residential districts of San Francisco. As a result, more diverse and affordable housing options were concentrated in areas such as the eastside of San Francisco, where more dense housing has been widely permitted. The City could aim to expand the availability of different housing options to foster more affordable, diverse housing options in other parts of the city.

Recent state and local legislation streamlines and allows the development of accessory dwelling units (ADUs), duplexes, and other small multifamily options. For example, SB 9 facilitates the creation of up to four housing units by allowing up to two duplexes on lots zoned for single-family homes that also meet lot size and other requirements. Despite these efforts, developers and property owners have little to no financial incentives to build smaller housing developments, given high construction costs, fees from permits, and the uncertainty of development. To increase the economic feasibility of small multifamily projects, potential incentives from the city could include reduced fees or subsidies as well as reduced process and objective standards for projects that do not qualify for SB 9 or other ministerial streamlining programs. Existing financing tools are inadequately structured to support or encourage additional unit development and increased lending options to fund projects could be helpful. Changes to state law could allow for additional incentives such as property tax abatements and other financing tools.

Cohousing and group housing, in its various forms such as rooming houses, group homes, and residential hotels, have historically played a crucial role in providing housing for lower-income residents. Tenants typically lease a room that is designed for separate living and often share features such as kitchen, bathrooms, and other living spaces. Group housing options serve as an important low cost, flexible living option to meet the diverse needs of lower-income individuals including seniors, students, people with disabilities, young adults, and low-wage workers. Expanding housing options across previously restricted locations allows the city to offer more low-cost, affordable housing opportunities.

Timing:	Short (0-2 years)
Type of change:	Legislative (state, local)
Issue area:	Streamlining, enabling production
Impact:	Moderate Financial feasibility for small multi-family projects is challenging and not a lot of banks offer financing tools that would support their development.
Effort:	Most Complex May require legislative changes to allow more kinds of housing and financing solutions and other incentives to encourage small multi-family buildings.
Equity priorities:	Affordable housing production, housing options in well-resourced areas
Implementors:	Planning Department, MOHCD

3.B. EQUITY ANALYSIS

Well-resourced neighborhoods currently account for about 10% of housing development in San Francisco, despite occupying 50% of land. This fact highlights the importance and potential impact of implementing the state-mandated rezoning to allow more multifamily housing in these areas, in compliance with Affirmatively Furthering Fair Housing laws and informed by community guidance. Implementing strategies that incentivize diverse housing types will bring a range of housing options, increasing affordability and access for low-income households. To ensure growth is equitable and reaches targeted households, the city should consider possible impacts on equity communities.

For different housing options to be built, the City considers the financial feasibility of its housing policies and plans. Creating incentives, such as reducing fees, could help feasibility for developers to build more housing. At the same time, fees are often intended to fund community benefits such as affordable housing, transportation, parks, and other improvements. Key considerations for determining appropriate fees include the scale of projects and their impacts, which might imply lower need for and ability to provide fees. Policy can also provide flexibility in how fees are applied, such as deferral of fee payments. The City aims to simultaneously increase revenue to sustain critical funding priorities while ensuring the appropriate policies and conditions are in place to encourage more housing.

Additionally, an essential aspect of improving development feasibility involves streamlining and processes changes to reduce both the time and cost associated with projects. However, limiting processes may minimize opportunities for community input on a project-by-project basis. This underscores the vital role of community engagement in significant proposals, such as the Expanding Housing Choice initiative. The initiative has engaged community members and stakeholders over the course of more than year, ensuring that community concerns are heard, considered, and that communities are well-informed about the upcoming changes. The rezoning and process changes are also fundamentally rooted in the AFFH and equity goals of providing additional housing opportunities in the well-resourced parts of the city, including for people who have been historically excluded. The City can continue to involve the community in these processes ensuring the resulting policies and programs are more responsive and effective in addressing the housing challenges faced by diverse communities.

The overall goal of process changes and incentives are to make it easier to build diverse housing options in San Francisco, particularly in the well-resourced areas. Historically, growth has been inequitable, leaving many housing types such as SROs and other group housing options predominantly in areas like SoMa, Tenderloin, Mission, and Chinatown on the east side of the city. Some of these equity communities have expressed a need for more family-sized housing units. On the other hand, areas such higher resourced areas have seen little growth in housing and less diverse housing types, highlighting the need for equitable distribution growth of affordable housing types in those areas. The City should continue to evaluate the effectiveness of changes to ensure the intended impacts are achieved.

3.C. Cross-Sector Partnerships

Recommended actions in this issue area offer a range of strategies to encourage philanthropy and community financial institutions to further invest in affordable housing. Private capital has the advantage of being able to move more quickly and with fewer restrictions than public funds. The City could enable philanthropy and community financial institutions to invest at key moments during the affordable housing development process or fund innovative pilots.

ACTIONS

3.C.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

Available land for affordable housing in San Francisco is scarce, and the limited number of available sites make it difficult for the City to scale affordable housing production. Increasingly, faith-based institutions and nonprofit colleges are interested in using their excess land for affordable housing, recognizing their congregations, communities, and neighbors need for more affordable options. But the process is often challenging, and these entities face barriers to moving these projects forward.

SB 4 (Wiener, 2023) provides a streamlined process for religious organizations and nonprofit colleges to develop affordable housing on their property regardless of local zoning restrictions. SB 4 guarantees by-right approval of projects so long as they are consistent with all objective standards of the jurisdiction and comply with listed environmental protections. This approval process ensures that the California Environmental Quality Act (CEQA) cannot be misused for these projects. To be eligible, projects must include all units for affordable housing to low-income households, except up to 20% that can be used for moderate income and up to 5% for religious organization or college staff. This will sunset January 1, 2036. A recent report from the Terner Center estimated the eligible land for affordable housing streamlining if this bill were passed, and San Francisco will greatly benefit from the use of SB 4.

Figure 21. Land Owned by Nonprofit Religious and Educational Institutions in San Francisco

	Developable Acres	*Developable Parcels*	*Median Parcel Size (Acres)*	*Percent in Highest/High/ Moderate Resource Areas*
Faith-Based Organization Land	100	159	0.42	92%
Nonprofit Colleges Land	180	40	1.68	75%

Source: Terner Center for Housing Innovation

Given that affordable housing development is often new to these institutions, significant education and outreach as well as technical assistance is likely needed, which could be spearheaded by SFMOHCD. Facilitating partnerships between experienced affordable housing developers and these community-based entities will also be important. In addition to SFMOHCD, CDFIs and housing finance entities and community organizations can support these projects on a case-by-case basis or through larger training and technical assistance programs.

Timing:	Short (0-2 years)
Type of change:	Streamlining, partnerships

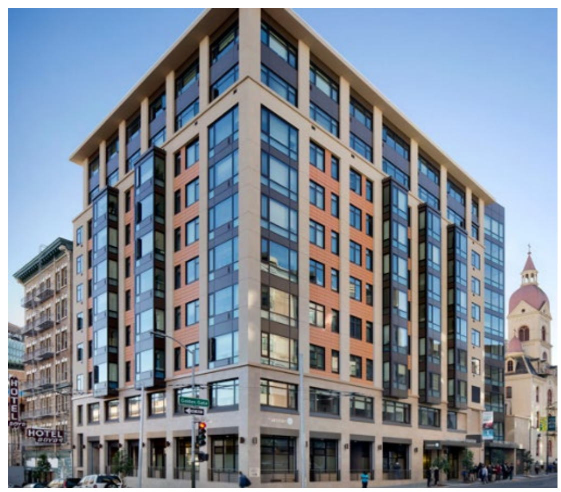
Issue area:	Affordable housing production
Impact:	High SB 4 allows for a more streamlined process for developing affordable housing and almost all the developable land in San Francisco is also located in high resource areas.
Effort:	Moderate It will require SF to identify opportunities and developers that are willing to develop on the land, resource these developments, and support them through completion.
Equity priorities:	Affordable housing production
Implementors:	MOHCD, CDFI's, housing finance entities, affordable housing developers, faith-based institutions and nonprofit colleges

Buildings owned by religious organizations have been redeveloped as affordable housing

1250 Haight Senior Housing in converted church owned by TNDC

Source: Tenderloin Neighborhood Development Corporation

Vera Halle Senior housing built over San Anthony's Dining Room



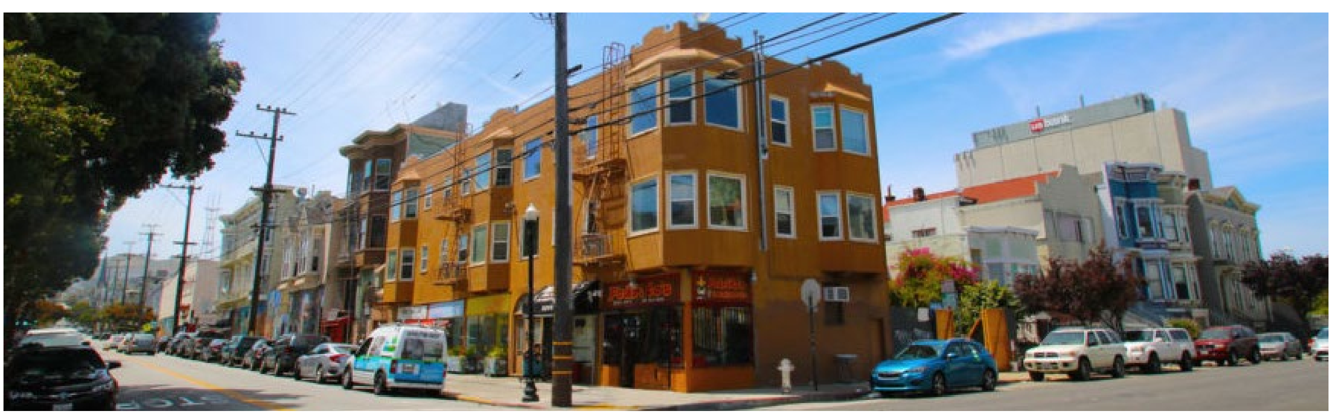
Source: Langan

3.C.2. Coordinate with nonprofit, philanthropic, and other partners to provide nimble and flexible funding, financing, and access to institutional capital investment for affordable housing

The city can use partnerships with mission-driven lenders and funders like the Housing Accelerator Fund and other CDFIs and philanthropy to provide financing and funding that can move more quickly and flexibly than typical public funding, which is often deployed through relatively slow bureaucratic processes. More flexible funding and financing can help fill key gaps when affordable housing developers need access to capital quickly - for example when competing with for-profit investors to acquire sites for development or to acquire existing multifamily housing for preservation. By providing capital on preferential terms through flexible lending that is aligned with City practices and housing goals, mission-driven lenders like the HAF can fill important gaps in the affordable housing system and help lower costs and increase effectiveness. These non-governmental partners can also serve as a coordinator and conduit for institutional capital (healthcare, pensions, banks, etc.) and philanthropic capital investment to invest in affordable housing in concert with the City's housing agencies to help meet the city's housing goals.

Timing:	Short (0-2 years)
Type of change:	Partnerships
Issue area:	Enable/expand funding
Impact:	Moderate Coordination with non-governmental partners can bring some additional capital and greater flexibility to fill gaps in the financing and funding for affordable housing.
Effort:	Least Complex The City can continue to build on the HAF and relationship with other CDFIs and philanthropy
Equity priorities:	Affordable housing production, affordable housing preservation, equity community capacity
Implementors:	HAF, CDFIs, foundations, and large institutions and employers

Flexible financing from the Housing Accelerator Fund has helped to preserve existing housing and businesses purchased through the Small Sites Program like 3254 23rd Street



Source: Housing Accelerator Fund

3.C. EQUITY CONSIDERATIONS

Cross-sector partnerships have the potential to advance various equity housing goals by elping to connect community-based organization to flexible funding and financing, use community and nonprofit connections to identify potential sites for affordable housing, and pilot new approaches to affordable housing development with mission-driven and community-based organizations. The HAF, for example, has played an important role in helping nonprofit affordable housing organizations with nimble interim financing for purchases of sites and existing multifamily housing. The HAF has also helped to fund creative affordable housing development approaches with nonprofit and philanthropic partners.

Collaboration with community-based groups can be key to innovative, cross-sector approaches because they have on-the-ground knowledge. For example, community-based groups may be connected to residents of buildings that are up for sale, at-risk for mass evictions, or have troubled histories with landlords. Community-based organizations may also know of nonprofit or religious-owned sites that are underutilized and may have relationships with the ownership organizations that could help facilitate re-use as affordable housing. Mission-driven funders and lenders and philanthropic organizations can partner with community-based affordable housing developers, housing services organizations, and other community-based groups in equity communities to help shape the pilot programs that they fund.

Conclusion

Given that San Francisco's affordable housing goals have never been more ambitious, the city will need to advocate for and develop a range of funding and financing sources. The Affordable Housing Leadership Council's recommendations cover a broad range of ideas, offering a comprehensive vision of how to strengthen and expand the city's production and preservation of affordable housing in 2024 and in future years. The City can consider and act on these recommendations to maintain and increase progress on our affordable housing goals. Given the shared challenges of providing sufficient affordable housing among cities around the Bay Area, California, and the rest of the country, there is the opportunity and need to collaborate to win more resources and build shared solutions.

As this report has shown, Federal and State funding are the largest funding sources for affordable housing, providing two-thirds of the funding to build new 100% affordable housing. Available federal and state funding, however, has fallen far short of need with recently increasing competitiveness of funding slowing affordable housing development. It is unlikely San Francisco can come close to meeting its housing goals without more Federal, state, and regional funding and, for this reason, the Leadership Council has focused a number of recommendations on expanding funding and shifting policy at the Federal, State, regional levels. San Francisco's elected officials, advocates, and City staff will need to work with affordable housing and community development stakeholders from other cities, the state, and in Washington D.C. to win needed affordable housing resources and other policy changes.

San Francisco has been growing its capacity and investment in affordable housing in recent years and will need to continue this effort to achieve its housing goals. Voters and elected officials have approved more local funding that has substantially increased the production and preservation of affordable housing. The City's housing and development agencies have been supporting more projects through funding, financing, technical assistance, and faster approvals while nonprofit affordable housing developers have been completing more new construction and preservation projects than they have in decades. The Leadership Council has offered a range of recommendations to strengthen and expand San Francisco's robust affordable housing ecosystem by maintaining and growing the city's funding sources and financing tools, better coordinating the work of city agencies to support affordable housing development, and ensuring the continued vitality of local affordable housing developers.

The City's large housing goals will likely require additional, innovative approaches to provide affordable housing beyond the funding sources and programs currently available from federal, state, and local government. For this reason, the Leadership Council's recommendations highlighted innovative and alternative approaches to developing affordable housing including creative use of existing government tools, building on changes to zoning and process as part of Housing Element implementation to encourage more affordable housing types, piloting alternative financing and development tools through individual projects, and encouraging creative public and private partnerships to bridge gaps in the affordable housing finance system and bring additional resources to affordable housing.

The Affordable housing Leadership Council represent a cross-section of experts and practitioners connected to the affordable housing field including housing development, community-based organizations, local and federal government, philanthropy, finance, business, and academia. San Francisco will need the continued leadership and partnership of the Leadership Council and the organizations they represent, as well as many other partners who are dedicated to improving housing affordability, to advocate for and implement the recommendations in this report. Ultimately the success of these efforts will be measured by the number of homes affordable to low- and moderate- income households that the city can produce and preserve and our ability to connect our most vulnerable residents and those who have been excluded from housing opportunities in the past, including American Indian, Black, and other people of color, to the housing they need. Behind our successes or failure will be our ability to work together as a city and with other affordable housing and community development stakeholders to win the resources and implement many of the changes that the Leadership Council has identified in their recommendations.

Glossary

Assembly Constitutional Amendment (ACA) 1	Lowers the threshold to approve new special taxes and bonds for affordable housing and public infrastructure projects from two-thirds to 55%.
Accessory Dwelling Units (ADU's)	Housing units added to existing or proposed residential buildings. ADUs are also often called in-law units, granny flats, secondary units, or basement or garage apartments.
Affordable housing (100% affordable housing)	Subsidized affordable housing that serves lower to moderate income households (0% to 120% of AMI) and targets rents at 30% of those incomes.
Area Median Income (AMI)	A metric used to benchmark different income levels. The San Francisco Mayor's Office of Housing and Community Development has determined $144,100 as the 2023 AMI for a household of four in San Francisco (SFMOHCD, 2023).
Below Market Rate (BMR)	A BMR is a unit that is priced to be affordable to households that are moderate income or below. Moderate income is 80-120% Area Median Income (AMI) or $133,000 for a household of four.
California Debt Limit Allocation Committee (CDLAC)	Sets and allocates California's annual debt ceiling and administer the State's tax-exempt bond program to allocate the debt authority.
Community development corporation (CDC)	Nonprofit, community-based organizations that work to revitalize the neighborhoods in which they are located by building and rehabilitating housing, providing services, developing community facilities, and promoting or undertaking economic development.
Community Development Financial Institution (CDFI)	A specialized financial institution that works in market niches that have not been adequately served by traditional financial institutions. CDFIs provide a wide range of financial products and services, including mortgage financing, commercial loans, financing for community facilities, and financial services needed by low-income households. Some CDFIs also provide technical assistance. To be certified as a CDFI by the CDFI Fund of Treasury, an institution must engage in community development, serve a targeted population, provide financing, have community representatives on its board, and be a nongovernmental organization.
Cooperative housing (co-ops)	Housing in which each member shares in the ownership of the whole project with the exclusive right to occupy a specific unit and to participate in project operations through the purchase of stock.
Cost burdened	Households that pay more than 30 percent of their income for housing.
Environmental review	The process of reviewing development projects for potential environmental impacts on the City of San Francisco and its residents.
Expanding Housing Choice Program	Changes to San Francisco's zoning rules in areas that haven't seen much development of a variety of housing types to accommodate new housing, increase housing affordability for low- and middle- income households, and help advance racial and social equity.
Faircloth Amendment	Prevents the expansion of public housing in the United States.

General obligation bond (GO bond)	A GO bond is secured by property tax revenues Issued by the government, purchased by investors, and repaid by property tax to provide essential infrastructure that won't pay for itself. City policy has kept total bond debt to 1.25% although debt is capped in the City's charter at 3% of total property value. As older bonds are retired or total property value increases, City can take on new bonds without tax increase to property owners. Voters must approve GO Bonds, currently by ⅔ majority.
Group housing, co-housing, or co-living	Types of housing that may have limited cooking facilities and do not contain a full kitchen in each room. Cohousing may include (but is not limited to) communes, fraternities and sororities, rooming houses, or Residential Hotels.
High opportunity areas	Areas in every region of the state whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children. SF Planning used this same index to identify "Well-resourced neighborhoods."
Housing affordability	Housing is affordable when a household spends 30% or less of their combined income in housing expenses (rent, mortgage, utilities, etc.).
Housing choice voucher (HCV or "Section 8")	Federal rent-subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households. The voucher payment subsidizes the difference between the gross rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater).
Housing ladder	The housing ladder program allows permanent supportive housing (PSH) residents who no longer require intensive case management support services to transition into a more independent housing setting. Their PSH units become available for unhoused people who need PSH with intensive case management services, while the housing ladder clients maximize their independence.
Housing opportunity areas	Areas in every region of the state whose characteristics have been shown by research to support positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children. SF Planning used this same index to identify "Well-resourced neighborhoods."
Inclusionary housing	San Francisco requires new residential buildings of 10 or more units to include on-site affordable units (called inclusionary housing). Other options to meet this requirement include the payment of in-lieu fees (that fund 100 percent affordable housing), off-site affordable units, and land dedication.
Impact fees	Fees imposed on new development that are used to pay for the infrastructure or affordable housing needs generated by that development.
Inflation Reduction Act	The Inflation Reduction Act of 2022 (IRA) is a United States federal law that aims to curb inflation by reducing the deficit, lowering prescription drug prices, and investing into domestic energy production while promoting clean energy. The bill makes the largest investment in combating climate change in U.S. history, lowers the cost of prescription drugs and raises taxes on corporations.
Infrastructure financing district (IFD)	A special district with defined boundaries that uses local property taxes to issue bonds to fund infrastructure projects (e.g. streets, utilities, sidewalks, pedestrian safety enhancements) or affordable housing.
Joint Power Authority (JPA)	A Joint Powers Authority (JPA) is established by two or more public agencies who agree to create another legal entity or establish a joint approach to work on a common problem, fund a project, or act as a representative body for a specific activity.

Low Income Housing Tax Credit (LIHTC)	Enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their federal tax liability each year throughout a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.
LIHTC 4% Credits	Covers 30% of a development's equity, or 30% subsidy for the acquisition of existing buildings and rehabilitation and new construction in 10-year period. 4% credits are financed with tax-exempt bonds.
LIHTC 9% Credits	Covers 70% of a development's equity, or 70% subsidy for new construction and significant rehabilitation in 10-year period.
Mental Health Service Act (MHSA)	The Mental Health Services Act (MHSA), also known as Proposition 63, was enacted by voters in November 2004. The intent of MHSA was to transform the public mental health system in California into a system that provides a broad spectrum of prevention and early intervention, treatment, and infrastructure support. There are five concepts in the MHSA: (1) a client/family-driven mental health system, (2) cultural competence, (3) community support and collaboration, (4) service integration, and (5) a focus on recovery, wellness, and resiliency.
Ministerial/by-right/administrative approval	A governmental decision involving little or no personal judgment by the public official; it involves only the use of fixed standards or objective measurements, and the public official cannot use personal, subjective judgment in deciding whether or how the project should be carried out.
Mayor's Office of Housing and Community Development (MOHCD)	MOHCD administers a variety of financing programs to enable the development and preservation of affordable housing, to assist low-income homeowners, and to help San Franciscans become first-time homebuyers. MOHCD is also responsible for monitoring and ensuring the long-term affordability and physical viability of the City's affordable housing stock.
Office of Community Investment and Infrastructure (OCII)	OCII is a state-authorized local entity serving as the successor to the former San Francisco Redevelopment Agency. OCII is responsible for development in Mission Bay, Transbay, and the Hunters Point Shipyard/Candlestick Point neighborhoods.
Overcrowding	More than 1 person per room (including living rooms) for overcrowding, and more than 1.5 persons per room for severe overcrowding.
Permanent supportive housing (PSH)	Permanent supportive housing offers tenants long-term affordable housing with a range of supportive services, including case management and housing retention assistance. Tenants pay up to 30% of their income in rent.
Project-based rental assistance (PBRAs)	A rental assistance contract tied to units in a specific building.
Prop 13	1978 ballot measure that reduced property tax rates on homes, businesses and farms, and capped assessed property taxes at 1% for assessed values with no more than 2% annual increase. Prop 13 significantly reduced the tax revenue of local jurisdictions to fund schools, services, and infrastructure.
Public housing	Public housing was established to provide rental housing for eligible low-income families, the elderly, and persons with disabilities. There are approximately 970,000*

	households nationwide living in public housing units, managed by some 3,300 Housing Authorities. The U.S. Department of Housing and Urban Development (HUD) administers Federal aid to local housing agencies that manage public housing.
Rapid re-housing	Rapid re-housing is a time-limited subsidy that gradually decreases as the tenant stabilizes and finds housing outside of the homelessness response system. Tenants live in private-market units and access supportive services, including case management and housing retention assistance.
Regional Housing Needs Allocation (RHNA)	A process used by the state and regional governments to assign each city and county in California their "fair share" of new housing units to plan for at different income levels to respond to existing need and projected growth in the region.
Rental Assistance Demonstration (RAD)	Allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock.
Rent control	Rent Ordinance (1979) that restricts annual rent increases, ensures tenants can only be evicted for "just causes," and restricts evictions of tenants occupying a qualifying unit built prior to June 13, 1979. Once tenants vacate the rent-stabilized unit, landlords can raise its rent to market rate (otherwise known as vacancy decontrol).
San Francisco Housing Authority (SFHA)	SFHA was a local public housing authority for the City and County of San Francisco that was established in 1938. It was responsible for the management of public housing and Section 8 vouchers for primarily low-income housing. In 2018, SFHA came under scrutiny for its $29.5 million shortfall in its budget. In March 2019, the Authority was ordered by the federal government to cede the administration of its programs either to the federal government or to the municipal government of San Francisco.
Senate Bill (SB) 4	The Affordable Housing on Faith Lands Act enables streamlined permitting approvals for religious organizations and nonprofit colleges
Senate Bill (SB) 9	Facilitates the construction of duplexes and other small multifamily buildings by requiring municipalities to ministerially approve projects that create a duplex or subdivide an existing lot on a currently single-family zoned parcel.
SB 593	Removes barriers to replacing more than 5,800 units of low- and moderate-income housing that were demolished in the 1950s-70s period of redevelopment and provides a funding source through the Redevelopment Property Tax Trust Fund.
Single Room Occupancy (SRO)	Historically, SRO hotel rooms were populated by low-wage workers, transient laborers, and recent immigrants for long stays. SRO rooms are differentiated from tourist hotels in that they were meant to house a transient workforce, not tourists visiting the city for pleasure. A typical room in a residential hotel is a single eight (8) x ten (10) foot room with shared toilets and showers on each floor.
Small multifamily building	Buildings of 4 or less stories that include between 2 and 19 units.
Small-sites program (SSP)	The Small Sites Program (SSP) is an affordable housing program run by the Mayor's Office of Housing and Community Development (MOHCD) to help low- to moderate-income San Franciscans avoid displacement or eviction. SSP buildings are converted from rent control to permanently affordable housing to keep rents affordable for the long term and protect tenants.
Tax abatements	A property tax incentive government entities issue that will reduce or eliminate taxes on real estate in a specific area.

Tax increment financing	Tax increment financing (TIF) is a local government value capture revenue tool that uses taxes on future gains in real estate values within an area known as a TIF district to pay for infrastructure improvements. TIF creates funding for public or private projects by allowing entities to borrow against future increases in property-tax revenues.
Zoning	Regulations that govern how land can be used. For example, zoning regulations can define the size and shapes of buildings, the number of units, and the number of parking spots. It can also specify hours of operations for businesses.
2022 Housing Element	The Housing Element was adopted in January 2023 and is San Francisco's plan for meeting our housing needs for the next 8 years (2023-2031). It is the City's first housing plan centered on racial and social equity. Its policies and programs express San Francisco's collective vision for the future of housing, guiding policymaking, housing programs, and the allocation of resources.

i See the Gap Report for 2023 prepared by the National Low Income Housing Coalition. It shows 72% of Extremely low income (ELI) renters nationwide (8.1 million ELI renters) spend at least half their income on rent and are considered severely housing cost burdened. There is a severe lack of housing affordable at this income level that can be observed in states and metropolitan areas around the country. Very Low income renters also face severe cost burdens at elevated rates and find a lack of affordable options.

ii Analysis from the City Monitor shows San Francisco is in the top 10 of US cities with greatest income inequality as measured by the Gini index. See Swindells, Katherin, "Income in US cities is most unevenly distributed in a decade", December 22, 2022. Citymonitor.ai

iii Analysis from Apartment List using US Census and Bureau of Labor Statistics data shows that from 2010 to 2019 San Francisco added 8.5 jobs per housing unit added while nearby counties had similar rates of housing production relative to job growth. see Salviati, Chris and Warnock, Rob,"Where is Housing Construction Keeping Pace with Job Growth?", March 8, 2023, ApartmentList.com.

iv See the Out of Reach Report for 2023 prepared by The National Low Income Housing Coalition which shows the San Francisco area had the second highest "housing wage" in the nation. The housing wage is the hourly wage needed to afford the fair market rent for an apartment.

v See data prepared for the Housing Incentive Pool and MTC Housing Element Policy presentation from December 13, 2023 session of the Programming and Allocations Committee of the Metropolitan Transportation Commission.

vi See 2022 San Francisco Housing Element Update Housing Needs Assessment and Assessment of Fair housing analysis of IPUMS data on income and cost burden Appendix A - Housing Needs Assessment and Assessment of Fair Housing (sfplanning.s3.amazonaws.com)

vii Prior to 2024, building permits post-entitlement phase could be challenged, a unique process which occurs frequently in San Francisco. AB1114 closes the loophole banning post-entitlement appeals.

viii Citywide Affordable Housing Loan Committee provided gap funding for 4840 Mission Street in the amount of $8.9 million. PG&E receives more field work requests than capacity, leading to delays and cancelations. https://www.sf.gov/sites/default/files/2023-06/Approved%20PG%26E%20Additional%20GAP%20Commitment%20Memo%20-%20LC%203-3-23.pdf