Housing for the 99%

San Francisco
Public Housing for All

February 2022

San Francisco Berniecrats Housing Committee
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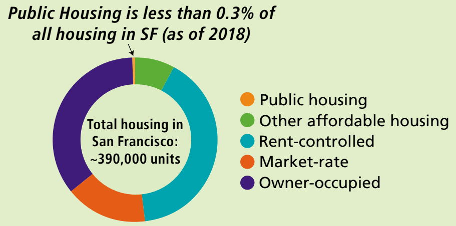
Background

Everybody in San Francisco should have an affordable, well-maintained home. The private housing market has failed to deliver the necessary homes. Public housing is key to fixing the housing crisis, and must be treated as a critical part of our public infrastructure much like our public schools, libraries, and transit. Yet, for decades, the successful lobbying of the real estate industry guaranteed that federally funded public housing suffered from underfunding, too many constraints on maintenance and cheap designs, harmful tenant selection policies, institutional racism, and classism towards residents.[1] Furthermore, federal public housing was never tied to broader economic planning around environmental sustainability and stopping climate change. The shortfalls of the federal public housing program hurt its image and made it vulnerable to the political whims of each presidential administration and Congress for funding maintenance costs. Proponents of smaller government joined the real estate industry to further weaken public attitudes towards public housing and other social services, and undercut the political support needed to fund a successful program.

Cities around the world have succeeded where the United States has fallen short. Vienna, Austria has over 220,000 units of publicly-owned and operated mixed-income housing—¼ of Vienna's housing stock—in which most tenants pay no more than 20-25% of their income on rent[2]. Over 80% of Singapore's residents live in public housing that is predominantly based on leasehold ownership[3]. Motivated by examples of successful **Public Housing for All** around the world, a group of San Francisco activists in 2017 began to organize for a **Green New Deal for Public Housing** under the name "SF Community Housing Act" (**SFCHA**). A detailed ballot measure to enact SFCHA was filed in March 2020, but signatures could not be gathered due to COVID-19. Instead, activists organized to pass Proposition K on the November 2020 ballot with almost 74% of the vote[4], which authorized the City to develop, construct, acquire, and operate up to 10,000 units of Public Housing for All.

500,000 people live in Vienna's municipal housing: One in four Viennese. There are 1,800 municipal housing complexes.



Vienna's Karl Marx-Hof Apartments   Dreizung/Wikimedia

As noted by the authors of "Social Housing in the United States": **"Today, our housing policy bears a marked resemblance to our healthcare policy: an expensive band-aid over a gaping hole, left by the absence of a public sector alternative."**[5] This proposal expands on the prior work of SFCHA 2020 and Prop K to lay out a path forward for Public Housing for All.

1. Penner, Barbara. "The (Still) Dreary Deadlock of Public Housing." *Places Journal*, Oct 2018. Web.
2. "Vienna's Unique Social Housing Program." *HUD USER*. Web.
3. "Public Housing – A Singapore Icon." *Singapore Housing & Development Board*, July 24, 2020. Web.
4. San Francisco, California, Proposition K, Affordable Housing Authorization (November 2020). *Ballotpedia*. Web.
5. Gowan, Saoirse and Ryan Cooper. "Social Housing in the United States." People's Policy Project, April 2018. Web.

Summary

SFCHA proposes that the City & County of San Francisco establish a dedicated enterprise agency with the research, finance, design, construction management, and administrative expertise to own and operate a residential real estate portfolio. This agency would also need the financial nimbleness to act quickly in the city's competitive real estate market, especially when it comes to property sales that will likely lead to tenant evictions. This agency could be temporarily housed in an existing city department, such as the Office of Community Investment & Infrastructure (OCII) or Public Utilities Commission (PUC), or be a new municipal agency. Compared to previous federal public housing bodies such as the San Francisco Housing Authority (SFHA), the city's municipal housing agency would be free from the federal constraints that often limited how the SFHA ran its program, such as limits on mixed-income public housing and the federal ban on public housing expansion (the Faircloth Amendment).

The proposed municipal agency would hire unionized public sector employees to operate public housing, manage new construction, and purchase and rehabilitate existing buildings. As development is a major contributor to climate change, the agency would aim to fulfill a Green New Deal through public housing. This includes using CleanPowerSF for heating and power, decarbonizing building materials, installing solar panels, limiting building material and waste through recycling or reuse, using electric heat pumps and energy-efficient insulation, and replacing natural gas appliances with electric ones. The agency must also adapt acquired developments to withstand the effects of climate change, such as sea level rise, flooding, and poor air quality.

To fulfill the goal of Public Housing for All, SFCHA proposes a mixed-income public housing rental model[6], where building units would cap rents at 25-30% of resident income (depending on the available per-unit subsidy). Any household with a resident who lives or works in San Francisco, or qualifies for a MOHCD lottery preference, could apply. A mixed-income lottery would strive to fill a building's vacant units with a range of income brackets. The target income distribution would be set to ensure financial self-sustainability and support an expanding property portfolio—which in turn is the key to maintaining a target mix of incomes. The exact distribution and rents would depend on per-unit development subsidy, debt service, and maintaining sufficient operating and capital reserves. An example set of financial sustainability calculations is included in **Appendix A**.

This mixed-income model would avoid the financial pitfalls of federal public housing, which relied on insufficient operating and capital subsidies from the federal government. Rental income would be combined with a portion of Prop I funds—as well as any new state or federal monies aligned with the principles of the program—to fund the purchase, construction or rehabilitation, and management of housing.

To facilitate meaningful resident participation, SFCHA would fund the creation of tenant associations, which would hold the City and elected officials accountable, participate in budgeting decisions, and

[6] This model could be extended to include leasehold ownerships or allow tenants to transition to leasehold ownership.

advocate for improvements at the building and agency level. These associations would also be empowered to withhold rent under certain circumstances, such as if the City fails to meet tenantable conditions, allowing them to function as "unions at home" and build power.

A final key component of SFCHA is the creation of integrated, well-resourced neighborhoods, with public transit, childcare facilities, public meeting spaces, and community kitchens. The goal of these amenities is to holistically improve residents' quality of life beyond housing. SFCHA housing could be situated in locations with these amenities, or they could be provided on or off-site if additional funding beyond Proposition I is identified.

There are several other details in the full legal text[7] that were developed with community input, including:

- Legally enforceable timelines for completing critical work orders.
- "Right of return" protections in case residents face displacement, including legal representation, providing interim housing, paying for relocation assistance, and covering interim differences in rent.
- Allowing residents to change their unit size for reasons including changes in household size.
- Subsidizing a "reasonable portion" of utilities (including Internet) for < 50% AMI households.
- Community input, focused on low-income residents, in the acquisition and construction process.

SFCHA Goals

1. Publicly-owned and operated housing, for households of all incomes, that cannot be privatized.
2. Rent or mortgage payments capped at 25-30% of income.
3. An expanding, financially self-sustaining portfolio with average households earning < 80% of median income[8].
4. Good-paying public sector union jobs and construction jobs, which could be supplemented by government workforce training efforts ("Housing Academies") to support the needs of an expanding program.
5. Community control and resident input in management, including through resident associations and elected resident representation in the agencies/commissions overseeing municipal housing.
6. Units built or rehabilitated to highest standard of sustainability, with all-electric appliances powered by clean energy.

[7] "2020 Details." *SF Community Housing Act*. Web.

[8] The example in Appendix A averages to ~68% AMI in the midpoint case. This could be lower based on funding, and adapted to ZIP code median incomes as required by law.

Alignment with Housing Stability Fund Objectives

The Housing Stability Fund is set up to “prioritize acquisition and creation of affordable housing that lacks access to traditional state and federal affordable housing funding.”[9] Due to the effective privatization and defunding of federal public housing in the last several decades, the need for a municipal social housing program of the kind envisioned by SFCHA is even more important.

SFCHA also aligns with the HSFOB’s racial equity goals. Most directly, its scalable mixed-income model reduces the rent burden on low-income residents, who are disproportionately Black, Indigenous, or People of Color (BIPOC), increasing personal savings while ensuring well-maintained housing. SFCHA could also more directly provide both stability and equity to BIPOC by allowing long-term residents to receive rental equity rebates or convert their tenancies to long-term leasehold ownership; under this latter model, the City would retain building ownership and lease out units on 99-year leases for households to maintain, similar to Singapore. Furthermore, as part of its lottery and preference program, SFCHA would prioritize Certificate of Preference holders displaced by Redevelopment, including the children and grandchildren of displaced residents. This preference program could be expanded to include households displaced by other redevelopment, state-sponsored displacement, gentrification, or climate change—past, present, and future. Particular attention should focus on the Latiné community in the Mission, the Black community in the Western Addition, Bayview, and Tenderloin, the Ramaytush Ohlone people, Native Americans of all tribes, Indigenous communities, Pacific Islanders, and undocumented immigrants throughout the city (with strict privacy protections).

In terms of meaningful participation, SFCHA provides various avenues—such as resident associations and elected commission representation—for residents to shape the course of public social housing development. These provisions aim to right the wrongs of Redevelopment and the private real estate industry where BIPOC neighborhoods were excluded from the decision-making process and demolished.

Lastly in regards to racial equity, as most public sector workers today are BIPOC[10] (e.g. 15% of City workers are Black), SFCHA can provide BIPOC more good-paying union jobs with benefits.

Greater geographic equity in housing, as desired by the HSFOB, could also be achieved by scattering SFCHA housing in each district of SF, to reduce present-day segregation and the concentration of low-income housing in certain districts.

[9] Section 10.100-78, San Francisco Administrative Code.” *American Legal Publishing*. Web.

[10] “Race/Ethnicity by Department (by Individual Department(s)).” *SF Dept of Human Resources*, 2021. Web.

Immediate HSFOB Recommendations for Fiscal Year 2022-23

In the short term, we recommend the HSFOB:

1. Commission the Budget & Legislative Analyst, Local Agency Formation Commission (LAFCO), or an outside consultant to study the financial sustainability of municipal social housing in consultation with a Housing Stability Fund Oversight Board appointed working group. While Appendix A includes example calculations, these must be adapted to use the latest available data, account for more accurate staffing costs, and maintain adequate reserves.
   a. If feasible, limited-equity leasehold ownership could also be studied to support long-term residents. This would retain City ownership of units but allow for 99-year leases to households, with more favorable financing than short-term rental leases.

2. Commission the BLA, LAFCO, or an outside consultant to study and develop recommendations for a dedicated enterprise agency tasked with owning and operating municipal social housing. These recommendations can be further refined with community input through a Housing Stability Fund Oversight Board working group. In the short term, this agency could be situated within the Public Utilities Commission, which has both revenue bonding authority and experience with clean power.
   a. Ideally, this agency would have a Charter commission with strong oversight power. A plurality of commissioners could be **residents elected by residents**, and all other seats could be filled by at-large representatives and qualified experts.

3. Use the outcomes of (1) and (2) to move forward the process to staff up central operations of the new agency, and facilitate the development of the first pilot rental project for municipal social housing. This project should have a definitive timeline to transition to public sector on-site operations. If feasible to administer, long-term leasehold ownership may be piloted in the same building as well.

Recommendation (1) could be provided by the BLA or LAFCO if an outside consultant is not engaged. For recommendation (2), if not performed by the BLA or LAFCO, the cost could be roughly $350,000 for an outside consultant, based on a previous add-back request in FY 2021-22 for creating a business plan for the SF Public Bank. For recommendation (3), the cost estimate would come from the outcome of recommendation (2) if completed in FY 2022–23, but is not expected to exceed $5,000,000/year (25+ FTE staff) in staff costs for a pilot managing one building.

In the long term, once the pilot program is underway, the HSFOB can work with the Board of Supervisors to formally codify the Green New Deal, tenant association, tenant protections, and tenant organizing provisions of SFCHA, drawing on the outcomes of the pilot and public input — especially from low-income residents — to shape finer legislative details.

Sources of Funding

The example distribution in Appendix A estimates that $100,000/unit 55-year loans can be financed using rental revenue from SFCHA's cross-subsidized model, if rents are capped at 25% of income. These revenues could be used for long-term financing after initial development is complete.

To cover construction costs (~$750,000/unit pre-pandemic) or acquisition/rehab costs (typically lower), initial development funds could come from the Housing Stability Fund and other private construction loans. Wherever possible, the City should seek to use publicly-owned land to minimize land acquisition costs.

One possibility to fund development is replicating the Revolving Housing Production Fund in Montgomery County, Maryland.[11] Under this model, for the first four years of construction and lease-up, 20-30% of financing would come from the Housing Stability Fund, and 70% would be private construction debt (although these numbers would have to be adapted based on the City's circumstances). After operations have stabilized at the 5-year mark, the City would buy up the construction debt and convert it to permanent financing, using bonds backed by projects' rental revenue and Prop I revenue. This will ensure 100% City ownership in the long run.

To assist in financing, Prop I revenue could be bonded out using revenue bonds to provide roughly $3 billion up front.[12] This would be more than sufficient to begin a pilot project and build municipal housing capacity within the City. Some amount of Prop I revenue could also go directly to project-based rental subsidies if needed to support financial sustainability.

The large-scale development of public social housing will also require significant low-interest credit, where the proposed SF Public Bank could be a natural partner.

Lastly, the 2020 SFCHA levied a gross receipts tax increase averaging 0.6% of revenue to raise over $410 million/year. While gross receipts tax schedules have since changed, and this entire increase may not be necessary given Proposition I's projected revenue of >$170M/year, this revenue source is still worth considering. A targeted tax could focus, for example, on the Information sector, which has enjoyed windfall revenue and tax breaks. The tech industry in particular has fueled the demand for high-income housing in SF without adequately supporting the supply of social housing, leading to higher rents and displacement.

[11] Spann, Stacy L., Kayrine Brown, and Zachary Marks. "Revolving Housing Production Fund: Funding, Structure, and Logistics." *Montgomery County Council*, June 22, 2020, p. 16. Web.

[12] Lantsberg, Alex and Shanti Singh. "San Francisco's Voters Have Demanded Social Housing. Let's Start Developing It Already." *Organized Labor*, Dec. 2021, p. 18.

Appendix A: Examples of Financial Sustainability

The 2019 National Apartment Association (NAA) Income & Expenses Survey, based on 2018 data collected from NAA members' developments in the SF-Oakland-Hayward metropolitan area, estimated operating and capital expenditures at $14.28/sq ft.[13] We can adjust these costs to exclude property taxes, increase salaries (for City labor), include a portion of resident utilities, and adjust upwards for SF median incomes. This gives an SFCHA estimate of operating and capital costs at roughly $13.2/sq ft.

To illustrate one example of rental revenue, assume rents are capped at 25% of income with a minimum rent of $90/month (based on a 2018 minimum-wage worker working 6 hrs per week for 48 weeks per year). Further, assume pessimistically that all tenants make the minimum amount in each income bracket. Lastly, assume the following unit income distribution and 5% vacancy. For a 1-person household using 2019 AMIs (which are based on 2018 data), gross rent would then be:

<table>
<tr><th>AMI Bracket</th><th>% of Units</th><th>Lowest Income ($/year)</th><th>Worst-Case Rent ($/year)</th><th>Average Gross Potential Rent ($/year)</th><th>Average Gross Rent at 5% Vacancy ($/year)</th></tr>
<tr><td>0-30%</td><td>20%</td><td>Negligible</td><td>$1,080</td><td rowspan="5">$12,284</td><td rowspan="5">$11,670</td></tr>
<tr><td>30-50%</td><td>20%</td><td>$25,860</td><td>$6,465</td></tr>
<tr><td>50-80%</td><td>20%</td><td>$43,100</td><td>$10,775</td></tr>
<tr><td>80-120%</td><td>20%</td><td>$68,960</td><td>$17,240</td></tr>
<tr><td>120%+</td><td>20%</td><td>$103,440</td><td>$25,860</td></tr>
</table>

This calculation can be repeated for other household sizes and for a more realistic case where tenants are all earning the midpoint of each AMI bracket (or, for the 120%+ bracket, exactly 120% AMI). This gives a revenue and expense comparison of:

Household Size	Minimum Unit Size	Square Footage	Worst to Median Rental Revenue at 5% Vacancy ($/year)	Operating and Capital Costs ($/year)	Net Operating Income Worst to Median Case ($/year)	Maximum Loan Amount for DSCR = 1.1, 3% Interest, 55-year Amortization[14]
1	Studio	470	$11,670-$13,920	$6,190	$5,480-$7,730	$134,200-$189,100
2	1BR	700	$13,310-$15,910	$9,220	$4,090-$6,690	$99,840-$163,700
3	2BR	900	$14,950-$17,900	$11,850	$3,100-$6,050	$75,860-$148,000
5	3BR	1200	$17,890-$21,480	$15,800	$2,090-$5,680	$51,140-$139,000

The final column assumes all of the net operating income goes towards paying off a 55-year loan with similar terms to the Small Sites program (1.1 debt-service coverage ratio (DSCR), 3% annual interest)[15]. In Small Sites buildings, these loans can provide an up to $175,000-$375,000 subsidy per unit — which is higher due in part to capping rents at 30% of income instead of 25% of income.

In actuality, **the income distribution may be different** in different buildings based on community needs, available per-unit subsidy, and contingencies. This last point is especially crucial as the City must maintain sufficient maintenance, operational, and capital reserves to ensure high-quality housing for residents.

[13] "2019 Income & Expenses Survey." *National Apartment Association*, Sep 18 2019. Purchased from vendor.

[14] "Debt Service Coverage Ratio Calculator (DSCR)." *Omni Calculator.* Web.

[15] "Housing Stability Fund Oversight Board Meeting." *SF.gov*, Nov 18, 2021. Web.