

HOUSING STABILITY FUND OVERSIGHT BOARD

FY2022-23 BUDGET RECOMMENDATIONS

(UNANIMOUSLY APPROVED MARCH 30, 2022)

BACKGROUND

On November 3, 2020, the voters of the City and County of San Francisco overwhelmingly voted to approve Proposition I, substantially increasing the transfer tax on large real estate transactions – a tax that the Board of Supervisors resolved to commit to funding social housing and COVID rent assistance.¹ The Controller estimates that in FY 2022-23 alone, Prop I will generate approximately \$170 million in new revenue for the city. After taking into consideration estimated allocations for other mandated ‘baselined’ budget commitments we estimate that \$136M should be available for Housing Stability Fund based upon the Controller’s more recent Prop I revenue estimates.

In 2020 the Board of Supervisors also unanimously approved an ordinance creating the Housing Stability Fund for the “acquisition, creation, and operation of affordable Social Housing.” That ordinance created this oversight board which was charged with presenting to the Board of Supervisors recommendations for uses of Proposition I revenue allocated to the fund.²

On January 11, 2022, the Housing Stability Fund Oversight Board published the city’s first public call for recommendations for funding social housing. In response to this invitation, the Oversight Board received 14 written proposals from members of the Board of Supervisors, housing providers, grassroots organizations, and individuals representing multiple communities from across the city.³ We have also heard from scores of San Franciscans about the critical and urgent need for bolder solutions to the affordable housing crisis.

As we expressly stated in our call for recommendations, this Board is not in a position to approve any specific project or organization for funding. Rather our responsibility and intention is to identify compelling potential solutions to target unmet needs and gaps in existing programs that could be addressed by the fund – with special attention to advancing racial, social, and geographic equity. Based upon our identification of such promising solutions, the following are our general findings and specific recommendations regarding the uses of Proposition I revenue to acquire, develop, and operate social housing in the City and County of San Francisco.

¹ In 2021 the Board of Supervisors allocated \$42 million in Prop I revenue to support a local COVID rent relief program and made commitments to allocate an additional \$32 million of FY2021-22 revenue if needed. The local rent assistance program will launch April 1 with both Prop I’s \$42 million and additional funding from Proposition C.

² Ordinance No. 201183

³ Written recommendations to the HSFOB can be found here:

<https://sf.gov/meeting/housing-stability-fund-oversight-board-meeting-4> and <https://sf.gov/meeting/housing-stability-fund-oversight-board-meeting-5>

SOCIAL HOUSING PRIORITIES

1. SUPPORT AND FUND THE ACQUISITION OF LAND TO BUILD AFFORDABLE SOCIAL HOUSING (\$60 million)

San Francisco is one of the most urbanized and developed counties in the country. Vacant and undeveloped land is scarce. Without the acquisition of additional land for affordable housing it would be practically impossible to advance proposals for new co-op ownership developments, teacher and workforce housing, senior housing, or municipal housing. In addition, the lack of available sites in some parts of the city have left many neighborhoods underserved by affordable housing. Therefore, we specifically recommend allocating:

- \$60 million - Land acquisition for 100% affordable social housing developments⁴ including up to \$20 million for land acquisitions for educator housing.⁵
 - Priorities for funding:
 - Acquisitions that advance geographic or racial equity.
 - Surplus SFUSD lands with plans that include educator housing.
 - Privately-owned sites with entitlements ready for construction.
 - Underutilized church sites for workforce, senior and Transitional Age Youth housing.
 - Workforce housing with permanent affordability.
 - Limited-equity housing cooperatives.
 - Opportunities that leverage non-LIHTC sources. For example, HAF and CDFI lending, AFL-CIO Housing Investment Trust, foundation grants etc.
 - Other priorities determined through a participatory public process and informed by the feasibility analysis proposed below.
 - NOFA application process for community-based nonprofit and labor organizations.
 - Funding may include assistance for options to buy, holding costs and pre-development expenses.
 - In addition to supporting additional MOHCD staffing to implement an acquisition program, this funding may also reimburse costs of other City Departments (e.g., Planning, OEWD) to assist in evaluating public sites for potential affordable housing development.
 - In order to accomplish geographic equity, the NOFA should support the acquisition of smaller sites in underserved neighborhoods if larger sites are not available.

⁴ Social housing is defined at SF Administrative Code Sec. 10.100-78 (e).

⁵ The Board of Supervisors previously expressed its intention to dedicate 20% of HSF expenditures to educator housing through December 2022. Section 2, [Ordinance No. 201183](#). Our recommendations for site acquisitions (\$20M) and capital costs (\$12M) for new educator housing honor that intention.

2. PROVIDE CAPITAL FUNDING FOR NEW AFFORDABLE HOUSING CONSTRUCTION AND ACCESSIBILITY UPGRADES AND REPAIRS FOR EXISTING PUBLIC HOUSING AND OTHER AFFORDABLE HOUSING (\$52 million total).

Insufficiently funded and overly prescriptive federal and state affordable housing programs create special challenges to develop new affordable housing or to improve existing housing for many San Franciscans. State funding priorities essentially exclude many rapidly gentrifying neighborhoods and fail to fund smaller sites in a city where larger developable sites are scarce. Some of our city's highest need populations live in SROs that tend to be ignored by state and federal programs. The Housing Stability Fund was in part established to address these high-need but hard to fund categories of affordable housing.

- \$12 million: Construction costs for 100% Educator housing, serving educator incomes as defined in Prop E, including affordable rental, or limited equity cooperative or ownership.
- \$15 million: NOFA for non-LIHTC housing development/construction costs that meet affordable social housing requirements.
- \$15 million: NOFA for accessibility, life-safety upgrades, and emergency repairs to non-RAD public housing, and/or existing Limited Equity Housing Cooperatives and HUD-funded Housing Cooperatives, including technical assistance, organizing, capital needs, and consultant costs, as needed, to help tenant associations and tenant councils identify upgrades and repairs. Funds to be disbursed by MOHCD and/or DBI.
- \$10 million: For elevator installation or upgrades in SROs - NOFA for accessibility upgrades to nonprofit-owned buildings that serve Extremely Low-Income residents.

3. EXPAND AND STRENGTHEN THE CITY'S HOUSING ACQUISITION AND PRESERVATION PROGRAMS (\$12 million in addition to the previously appropriated \$64 million).

A vast majority of San Franciscans are renters and many are put at increasing risk of displacement as more rental units are being placed on the market. The City's housing acquisition and preservation program plays an important role in protecting tenants against displacement. While MOHCD has not yet deployed over \$64 million in funding allocated to the preservation program in FY 21-22, we understand that the relaunch of that program is imminent and additional funding will be needed to address the backlog and unmet needs. In addition, MOCHD and Qualified Nonprofit Organizations have proposed additional investments to the program to make it more sustainable and collaborative.

- \$11.5 million in addition to unused FY21-22 HSF appropriations for additional funding to the City's Housing Preservation programs, including the Small Sites Program as well as larger apartments and SRO buildings.

- \$0.5 million NOFA to develop and support sustainable systems for the program including developing a joint asset management model.

4. BUILD PUBLIC AND COMMUNITY CAPACITY TO SUPPORT INCLUSIVE AND INNOVATIVE AFFORDABLE HOUSING SOLUTIONS (\$9 million).

The Oversight Board received many proposals for creative solutions to some persistent housing challenges. Almost half of the submissions proposed forms of shared equity or cooperative ownership or management. Additional proposals for new forms of community or public ownership were also submitted. The Oversight Board supports investing in the City's capacity to evaluate the feasibility of both new forms of social housing as well as improvements to existing models of social housing (such as LEHCs). The Oversight Board also supports building capacity of underserved neighborhoods and populations to develop or participate in housing cooperatives, land trusts, and other innovative social housing models.

- \$3 million - City staffing and consultants for HSF and feasibility analyses: MOHCD staffing & overhead for HSF affairs, HSF NOFAs, coordination with COPA and QNPs, and land valuation for acquisitions. Feasibility studies for: bonding capacity from Prop I revenue for cross-subsidy mixed-income social housing, additional financing models for public projects such as a revolving loan fund, new strategies for developing Limited Equity Housing Cooperatives including consideration of partnerships with land trusts, creation of a municipally-run housing agency, and permanent real estate cooperatives.
- \$6 million - NOFAs for housing innovation capacity: NOFA for existing and new organizations for pre-development, with an emphasis on innovative solutions beyond LIHTC projects; NOFA for business plans for new or expanding nonprofits with the potential to implement social housing; NOFA for capacity building for new limited-equity housing cooperatives; NOFA for growing capacity of new and existing community land trusts.
- Funding recommendations and NOFAs should be designed to assure that the housing and programs developed, funded, or supported affirmatively address the unmet needs of BIPOC, LGBTQ+, immigrant, and other underserved communities through a racial, social, economic and geographic equity lens, consistent with the goal of expanding social housing in the City while advancing key principles of equity and inclusion.

5. ASSURE EQUITABLE ACCESS FOR SENIORS AND PEOPLE WITH DISABILITIES TO AFFORDABLE SENIOR AND FAMILY HOUSING.

A majority of San Francisco's senior tenants and people with disabilities have incomes below 50% AMI, disqualifying them from most of the affordable housing units in MOHCD's pipeline. Equitable access for seniors and people with disabilities should be a principle of social housing. Yet not all housing developments have the capacity to internally subsidize rents to reach

extremely low-income tenants. A project-based rent subsidy for social housing is an appropriate and cost effective policy to address this need.

- \$4 million: Operating subsidy for social housing developments to make senior and accessible units affordable for extremely low income seniors and people with disabilities. \$4M in annual subsidies will make more than 400 units of unaffordable 50% AMI senior and accessible units truly affordable to extremely low income tenants with incomes of 20% AMI. Recommendation to continue funding in subsequent years.

TOTAL: \$ 136 million

CONCLUSION

The Housing Stability Fund Oversight Board thanks the many individual San Franciscans who submitted proposals and spoke out at our public hearings to encourage us to think boldly about our city's potential to create affordable social housing. We also acknowledge the following organizations and offices that submitted written proposals that helped ground our agenda with both specific recommendations and larger visions for change:

- Community Tenants Association
- GLBTQ+ Asian Pacific Alliance (GAPA)
- International Brotherhood of Electrical Workers (IBEW), Local 6
- Mission Economic Development Agency (MEDA)
- Self Help for the Elderly
- Senior and Disability Action
- SF Berniecrats
- SF Community Land Trust
- SF Jobs with Justice
- SF Labor Council
- Supervisor Gordon Mar
- Supervisor Myrna Melgar