

**DRAFT: 2024-25 BUDGET RECOMMENDATIONS BY THE HOUSING STABILITY FUND OVERSIGHT BOARD**

**(For consideration at the HSFOB meeting March 27, 2024)**

The Housing Stability Fund Oversight Board recommendations for FY 24-25 are focused on how the City can still work toward meeting its affordable housing goals in this difficult fiscal environment. With both the City and the State of California facing challenging budget and revenue projections in FY 2024-25, the Controller's report estimates that Proposition I's transfer tax will deliver **\$34M in new revenue**, a significant sum but lower than in prior years. It is more critical than ever to follow through on and expedite the delivery of past recommendations with agreed-upon funds, as well as invest in production and acquisition solutions that can bear fruit as the City's fiscal outlook recovers in the coming years.

The following funding recommendations follow the basic categories and relative shares identified through a participatory process carried out in 2022 and 2023 in which the Housing Stability Fund Oversight Board received extensive public comment on funding priorities. The unmet needs articulated by the public in those previous hearings remain as great or are even greater today. Therefore rely upon our findings of those previous years<sup>1</sup> in our recommendations today.

**2024-25 FUNDING RECOMMENDATIONS (Estimated \$34 million total revenue in FY2024-25)**

**1. SITE ACQUISITION FOR AFFORDABLE SOCIAL HOUSING - \$10 million**

Given the current lows in the price for unentitled private land, acquisition of sites for affordable and social housing remains the right strategy during a budget crunch, especially for innovative projects to build social housing for public-sector and essential workers who need to live in the same city where they work. Given the impact that AB2011, SB423 and the City's rezoning plan is going to have on commercial sites in at-risk neighborhoods, this is also a critical time to acquire sites to stave off gentrification of our neighborhood commercial districts. This funding can also be available for the pre-acquisition process for transfers of public land to affordable housing uses as a permissible use. We recommend prioritizing \$10 million of Prop I revenue for site acquisition for new affordable social housing.

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<sup>1</sup> See, [HSFOB 2022-24 Budget Recommendations](#), [HSFOB 2023-24 Budget Recommendations](#).

## **2. CAPITAL FUNDING FOR THE DEVELOPMENT OF NEW SOCIAL HOUSING - \$10 million**

With the continued decline in both on-site inclusionary units and inclusionary housing fees generated by market rate housing development there is even greater need for alternative funding for the new construction of affordable housing. Last year, HSFOB proposed broadening the City's commitment to educator housing development to commit new affordable construction for all of the city's public sector essential workers, including pre-development and development costs for low and moderate income housing targeted for the San Francisco public sector essential workers, as well as non-LIHTC housing development/construction costs that meet affordable social housing requirements. We recommend prioritizing \$10 Million dollars of Prop I revenue for capital funding for the development of new affordable social housing.

## **3. ACQUISITION AND REHABILITATION OF AT-RISK RENT CONTROLLED HOUSING - \$12 million**

In the last two years, the HSF has contributed to the successful preservation of over 150 units of rent-controlled and naturally-occurring affordable housing that were either at risk of conversion to high-cost housing or removal from the housing stock due to hazardous living conditions. Last year, HSFOB expressed concern that the Housing Preservation Program would run out of funding without the release of previously committed funding. Unfortunately that funding was not released. As a result, this past year, qualified nonprofit developers were unable to proceed with additional acquisitions, putting existing tenants at risk of displacement. Therefore we recommend the largest portion of this year's Prop I revenues, \$12 million, to be prioritized for the acquisition and preservation of at-risk rent-controlled housing.

## **4. OPERATING SUBSIDIES FOR SENIORS AND PEOPLE WITH DISABILITIES - \$2 million**

In 2023-24, HSFOB recommended that the City's existing Senior Operating Subsidy program continue to be incrementally expanded in order to assure that rents in senior housing now being developed will be affordable for ELI seniors. We recommend a continued allocation of \$2 Million for operating subsidies, as

the City works to find a permanent source for ongoing operating subsidies for buildings for seniors and people with disabilities.

## **ADDITIONAL COMMENTS**

In FY 2022-23, the HSFOB-initiated budget process led to a commitment of \$30 million in new funding for repairs and capital upgrades to affordable housing, including public and co-op housing, plus \$10 million in elevator renovations to affordable SROs. Given this year's budget shortfall, we look forward to further analysis of capital funding needs next year, including analysis currently being carried out for existing municipally-owned housing.

We expect the Budget and Legislative Analyst to conclude its initial report on the feasibility of municipal mixed-income social housing (through acquisition and production) in the coming months, at which point the Local Agency Formation Commission (LAFCO) will continue to explore how the City can leverage strategies from successful social housing systems elsewhere to meet the Housing Element's production goals. We look forward to the conclusions coming from the BLA and LAFCO for next year's budget recommendations.

We are concerned for future Prop I allocations, in that a section of Prop C from this March 2024 enables the Board of Supervisors to adjust Prop I's tax rate up or down as they see fit. We encourage the Board to protect this critical revenue source that was explicitly identified in the Housing Element as a key to achieving our low- and moderate-income housing goals.

While this year's \$34 Million in Prop I revenues are smaller than previous years, if enacted these recommendations for uses of that revenue will have a significant impact in the long term. Investments in sites for new construction and in existing at-risk housing in a 'down' real estate market are particularly impactful before prices recover. Continued investments in new construction and assuring affordability are also critically important to meet our City's commitments under our Housing Element.