Green New Deal for Social Housing

Contrary to typical patterns of public expenditures through annual tax revenues, the scale at which San Francisco needs to build housing at the deepest levels of affordability requires urgency, but more importantly, financial commitment and actual resources. Similarly to other cities' efforts to modernize and expand infrastructure, bonds are an essential component in leveraging the capital needed to to build housing now rather than stretching out the housing crisis over the course of decades.

In the early 2010s, Los Angeles passed Measure R, a small sales tax for the purpose of expanding their train system, but instead of relying on annual appropriations, immediately sold bonds backed by Measure R revenues to accelerate the 30-year timeline of the city's infrastructure plan in just a decade. By replicating and expanding LA's 30/10 Initiative to fight our city's affordability crisis, the City & County of San Francisco can pre-appropriate up to thirty years of Prop I revenues via municipal bonds to finance nearly half of the 10,000 units of new municipal housing authorized by 2020's Prop K.

In recent years, San Francisco has primarily relied on the use of general obligation bonds to debt finance projects, though this places a heavy limitation on the capacity to take on debt due to needing constant approval from voters. Alternatively, as revenue bonds can be passed and sold legislatively rather than the ballot, the City can generate approximately $3 billion from municipal revenue bonds without even raising taxes a penny merely by committing a portion of future Prop I revenues (approx. $125M/year) to future debt resolution, effectively committing the City to spend Prop I revenues on social housing as voters intended and delivering impactful results on a much shorter timeline.

Microbonds & Community Financing

Under the current framework of public finance, municipalities commonly rely on private investors and brokers to service municipal bonds rather than direct provision, oftentimes creating a system in which municipal debt benefits exclusively the investor class with easy and relatively exclusive access to the bond market. Conversely, by pursuing a path of bond democratization through direct community financing, municipalities can promote vehicles for equitable economic development and community representation by empowering residents to directly invest in local projects through the purchase of microbonds and ensure that the returns of municipal debt are being returned to local residents and building stronger roots across the community. In order to build a better and more democratic economy as we tackle the environmental and housing crises facing cities and states around the country, it's vital to integrate local communities with the financial mechanisms that fuel economic and community development.

MODEL for a Community-financed Microbond Program

1. Debt is authorized by municipality, granting the administering agency the power to sell bonds for community development and infrastructure such as creation and improvement of parks and green spaces, renewable energy expansion or decarbonization, affordable housing, traffic safety and public transit improvements, etc.
2. Programs for bond financing are posted on a public portal for local residents to find and invest in community projects, purchasing bonds at prices that are affordable to their household (ex. $50, $100, $250, and $500 rather than $1,000 or more)
3. Terms of bonds for different programs may vary depending on size and scale of specific projects. Smaller projects such as parks improvements can easily provide shorter term bonds (5-10 years) at a higher yield rate (5-7%) while larger projects such as affordable housing development and public transit expansion can be bonded at terms of up to 20 or 30 years at more standard yield rates.

In recent years, several cities around the country have experimented with a microbond approach to finance public projects. The City of Cambridge, MA passed an at-the-time ambitious microbond program to raise $2.5 million for capital improvement projects at a price of just $1,000 available exclusively to Cambridge residents compared to the average $5,000 on the typical bond market. The bonds sold out in less than a day. Additionally, in 2014, the City of Denver sold $500 microbonds available to Colorado residents to finance recreational facilities and sold out almost immediately, raising $12 million in just one hour. In expanding this model to a broader, sustained effort, municipalities can not only finance individual projects, but potentially democratize a broad umbrella of Green New Deal programs at the local level.

Through the creation of a municipal microbond program, the city would not only effectively remove the middleman of Wall Street investors to finance public projects, but would significantly increase the impact of community development by localizing economic returns and providing a vehicle of wealth building for working class residents to have a voice in the direction of their communities' development.