

DRAFT 2022-23 RECOMMENDATIONS BY THE HOUSING STABILITY FUND OVERSIGHT BOARD  
FOR PRESENTATION TO THE MAYOR AND THE BOARD OF SUPERVISORS  
(FOR CONSIDERATION AT THE HSFOB MEETING MARCH 16, 2022)

BACKGROUND

On November 3, 2020, the voters of the City of San Francisco overwhelmingly approved Proposition I, substantially increasing the transfer tax on large real estate transactions – a tax that the Board resolved to commit to funding social housing and COVID rent assistance.<sup>1</sup> The Controller estimates that in FY 2022-23 alone, Prop I will generate \$170 million in new revenue for the city.

Also on November 3, 2020, the Board of Supervisors unanimously approved an ordinance creating the Housing Stability Fund for the “acquisition, creation, and operation of affordable Social Housing.” That ordinance also 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.<sup>2</sup>

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 fourteen (14) proposals from members of the Board of Supervisors, housing providers, grassroots organizations, and individuals representing multiple communities from across the city.<sup>3</sup> We have also heard public comment and testimony in support of these and other solutions to the critical and urgent need for new solutions to the affordable housing crisis.

As the Oversight Board expressly stated in its call for proposals, this Board is not in a position to approve any specific project or organization for funding. Rather our charge and intention is to identify compelling innovative solutions to address 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 recommendations regarding the uses of Proposition I revenue to acquire, develop, and improve social housing in San Francisco.

RECOMMENDATIONS FOR FY 2022-23

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<sup>1</sup> Resolution No. \_\_\_\_\_

<sup>2</sup> Ordinance No. 201183

<sup>3</sup> 11 initial proposals were submitted, and can be found here: <https://sf.gov/meeting/housing-stability-fund-oversight-board-meeting-4>. Additional late proposals may be considered at upcoming meetings of the Housing Stability Fund Oversight Board.

## 1. SUPPORT AND FUND THE ACQUISITION OF LAND TO BUILD AFFORDABLE SOCIAL HOUSING

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 will be impossible to advance proposals for new co-op ownership developments, teacher and workforce housing, more 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:

- \$70M- (including \$15 M for acquisitions for educator housing). NOFA for land acquisition for innovative housing models. Can be acquisition, option to buy, may include up to 5 years of holding costs, may include predevelopment costs. Priorities:
  - Geographic equity, neighborhoods that have not received affordable housing sites
  - Smaller sites, too small for traditional MOHCD LIHTC priorities
  - Surplus SFUSD lands
  - Underutilized church sites, parking lots
  - Public sites transfer costs from enterprise agencies, incl. SFUSD, MTA, PUC
  - Entitled private sites, only need building permit
  - Workforce housing, with permanent affordability (rent limits or resale restrictions)
  - Limited-equity housing cooperative development
  - Intent is for QNP NOFA, these funds may also be used by MOHCD to acquire land for land banking for innovative housing
  - Looking for opportunities to leverage non-LIHTC sources, for example, HAF and CDFI lending, AFL-CIO Housing Investment Trust,
- Funding for City Departments (MOHCD, Planning, OEWD) to assist in evaluating SFMTA, SFPUC, SFUSD and other public sites for potential affordable housing development

## 2. PROVIDE CAPITAL FUNDING FOR NEW AFFORDABLE HOUSING CONSTRUCTION AND ACCESSIBILITY UPGRADES

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 near impossible to find. Some of our city's highest need populations live in SROs that are 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.

- \$20M Construction costs for 100% Educator housing, serving educator incomes as defined in Prop E, including affordable rental, or limited equity cooperative or ownership
- \$20M, at least - NOFA for non-LIHTC housing development/construction costs, 80% avg AMI

- \$20M, up to (including \$10M for elevator installation or upgrades in SROs) - NOFA for accessibility upgrades to nonprofit-owned buildings that serve ELI residents and/or existing LEHCs

### 3. EXPAND AND STRENGTHEN THE CITY'S HOUSING ACQUISITION AND PRESERVATION PROGRAMS

A vast majority of all San Franciscans are renters and many are put at increasing risk of displacement as more rental units are being put 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 the \$74 million in funding allocated to the preservation program in FY21-22 we understand that the relaunch of that program is imminent and additional funding may be needed to address the backlog and unmet need. In addition, MOCHD and Qualified Nonprofit Organizations have proposed additional investments to the program to make it more sustainable and collaborative.

- a minimum of \$10 M plus HSF funds not utilized or assigned in the first three quarters of the fiscal year: for additional funding to the City's Housing Preservation programs, including the Small Sites Program as well as larger apartments and SRO buildings
- \$500K NOFA to develop and support sustainable systems for the program

### 3. BUILDING PUBLIC AND COMMUNITY CAPACITY TO SUPPORT INCLUSIVE AND INNOVATIVE AFFORDABLE HOUSING SOLUTIONS

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 and also 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 and land trusts.

- \$1 M - City staffing for HSF and feasibility analyses: MOHCD staffing & overhead for HSF affairs, HSF NOFAs, coordination with COPA and QNPs, , land valuation for acquisitions, feasibility studies of bonding capacity from Prop I revenue, for cross-subsidy mixed-income social housing, municipally-run housing agency, and permanent real estate cooperatives.
- \$9 M NOFAs for housing innovation capacity; NOFA for existing orgs for pre-development, joint asset management, for innovative solutions beyond LIHTC projects; NOFA for business plans for new or expanding small social housing orgs; NOFA for feasibility of new limited-equity housing cooperatives

#### 4. 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.

- \$5 M: Operating subsidy for social housing developments to make senior and accessible units affordable for extremely low income seniors and people with disabilities. \$5M in annual subsidies will make more than 500 units of unaffordable 50% AMI senior and accessible units truly affordable to extremely low income tenants with incomes of 20% AMI.

#### Attachments

Summary of submitted proposals with additional findings and recommendations