



San Francisco General Obligation Bond: Capital Planning Committee

Amending the 1992 Earthquake Loan Bond Program

CITY AND COUNTY OF
SAN FRANCISCO

MAYOR EDWIN M. LEE

July 11, 2016

EARTHQUAKE LOAN GO BOND: EXISTING ELIGIBLE USES

In November, 1992, voters approved a \$350M GO Bond to fund a Seismic Safety Loan Program to provide loans to private owners to make seismic repairs to strengthen unreinforced masonry buildings.

The program has two components:

- \$200M allocated for market-rate building
 - *Interest is 1% higher than the City's cost to borrow.*
- \$150M allocated for affordable housing
 - *Interest is 1/3 of the City's cost to borrow.*



EARTHQUAKE LOAN GO BOND AMENDMENTS: ACTION ITEMS

Recommendation to the Board of Supervisors to approve:

1. Resolution declaring that the public interest and necessity demand the acquisition, rehabilitation, preservation and conversion of multi-unit residential buildings to permanent affordable housing; and
2. Ordinance calling for a special election to amend Proposition A (approved November, 1992) to authorize the City to incur GO bonded indebtedness for the additional eligible purpose of providing loans to finance the cost to acquire, rehabilitate, and convert multi-unit buildings to permanent affordable housing.



EARTHQUAKE LOAN GO BOND: FINANCING COSTS

- In accordance with the debt policy established in the Capital Plan, the amendment will not increase property tax rates over 2006 levels.
- The Office of Public Finance estimates the cost to issue the bonds will result in an estimated \$78.56M in total net cost, after applying loan payments repaid by the borrowers. The \$78.56M in net costs will translate to financing a \$43.45M project allocation within the Capital Plan budget.



EARTHQUAKE LOAN GO BOND: ADMINISTRATIVE COSTS

- In addition to the debt service costs paid with property tax revenue, the City will incur administrative expenses, including:
 - Costs of issuance
 - City staff time related to transactional work and reporting
 - At least one additional FTE staff located at MOHCD to administer the program



CITY'S URGENT HOUSING NEEDS

San Francisco's high housing costs pose individual and familial hardship and threaten the City's economic vitality:

- Between 2014 and 2015, rents increased 14.8%
- The median 1BR rent, \$3,460/month, is affordable to 1-person households at 150% AMI
- The median sale price of a home is \$1.1MM, affordable only to 4-person households over 200% AMI
- 67% of San Francisco's households have incomes less than 150% of AMI



CITY'S URGENT HOUSING NEEDS

San Francisco's Regional Housing Needs Assessment (RHNA) goals called for the production of almost 19,000 units by 2014. We fell short. With current resources, we'll meet 2014 goals by 2035 – assuming no future population growth.

Income Level	Target	Actual Production	Actual as % of Target
Very Low	6,589	4,118	62.5%
Low	5,535	1,663	30.0%
Moderate	6,754	1,283	19.0%
TOTALS	18,878	7,064	37.4%



DIMINISHING RESOURCES

San Francisco must address the housing affordability crisis in a climate of declining resources

- Dissolution of Redevelopment in 2012 meant \$28MM/year less (on average) for housing
- Depletion of State Prop. 46 and Prop 1C funds decreased housing funds to San Francisco by \$18MM/year
- Between FYs 07/08 & 12/13, Congress cut CDBG and HOME housing funding by 19% and 47%, respectively
- In 2013, Congress cut HUD's contribution to the San Francisco Housing Authority from 92% to 82% of what it costs to operate public housing



SAN FRANCISCO'S RESPONSE

San Francisco has made housing a policy priority and devoted substantial resources to address housing needs and declining state and federal funds:

- **2012: Housing Trust Fund**
- **2013: Re-Envisioning of Public Housing**
- **2013: Mayor's 30,000 Unit Goal**
- **2014: Proposition K**
- **2015: Affordable Housing GO Bond**
- **2016: Expanded Uses to Access Unused Funds from the 1992 Earthquake Bond**



CURRENT EFFORTS: 2020 GOALS

MOHCD/OCII SOURCES OF FUNDS	2015-2020
Housing Trust Fund	196,000,000
General Fund	108,000,000
Tax Increment (OCII)	164,000,000
2015 General Obligation Affordable Housing Bond	310,000,000
Fees Paid By Developers	277,000,000
Federal/State/Other Sources	117,000,000
TOTAL	1,172,000,000
MOHCD/OCII USES OF FUNDS: NEW UNITS & REHABS	BY 2020
New Construction & Substantial Rehabilitation	5,988
Public Housing Rehabilitation: RAD	3,561
HOPE SF: New Replacement & All New Units	1,376
Additional Units Completed in 2014 + Inclusionary	2,086
TOTAL	13,011



CURRENT EFFORTS: LONGER-TERM SOURCES

Source (\$M)	1st 6 Years (to FY19-20)	2nd 5 Years (to FY24-25)	3rd 5 Years (to FY29-30)	4th 5 Years (to FY34-35)	20 Year Total
Housing Trust Fund (includes \$50M in accelerated HTF)	196	179	227	267	869
General Fund & 2015 GO Affordable Housing Bond	418	55	53	55	581
Tax Increment (OCII)	164	211	157	62	594
Fees Paid By Developers	277	70	113	60	520
Federal/State/Other Sources	117	46	32	32	227
<i>Totals</i>	1,172	561	582	476	2,791



EARTHQUAKE LOAN GO BOND: UTILIZATION OF EXISTING AUTHORITY

Participation in the program has been modest in the 24 years since the authorization passed:

	Total	Affordable Housing	Market Rate
Bonds Authorized	\$350,000,000	\$150,000,000	\$200,000,000
Bonds Issued To-Date	\$89,315,450	\$45,315,450	\$44,000,000
Remaining Authorization	\$260,684,550	\$104,684,550	\$156,000,000



EARTHQUAKE LOAN GO BOND: PROPOSED EXPANDED USES

Market Rate Program: in addition to seismic improvements to privately owned unreinforced commercial, residential, and institutional uses:

- Finance the cost to acquire, improve, and rehabilitate multi-unit residential and mixed use buildings, and to convert those buildings to permanently affordable housing, under the same interest rate and term applicable to market-rate housing as the 1992 legislation.



EARTHQUAKE LOAN GO BOND: PROPOSED EXPANDED USES

Affordable Housing Program: in addition to seismic improvements to existing affordable housing:

- Finance the cost to acquire, improve, and rehabilitate multi-unit residential and mixed use buildings, and to convert those buildings to permanently affordable housing, under the same interest rate and term applicable to affordable housing in the 1992 legislation.



PROPOSED BOND USES: ACQUISITION/REHABILITATION OF “AT-RISK” APARTMENT BUILDINGS

Anticipated funding disbursements under the expanded **Affordable Housing Earthquake Loan Program** for the preservation of existing rent-controlled housing:

YEAR	AMOUNT	PROJECTED UNIT COUNT
FY 17-18	\$35 million	130
FY 18-19	\$35 million	130
FY 19-20	\$34,684,550	125
TOTALS	\$104,684,550	385



AT-RISK HOUSING PRESERVATION: EXAMPLE OF MOHCD-FUNDED PROJECTS

308 Turk, *before*: 20 units, numerous code violations, low-income residents



308 Turk, *after*: 20 units refurbished and preserved by the San Francisco Community Land Trust as permanently affordable housing.

BOND USE ACCOUNTABILITY

- Spending proceeds will be overseen by the Citizens' General Obligation Bond Oversight Committee (GOBOC).
- Quarterly Reports on achievement of housing production goals to BOS
- City-wide Loan Committee approval of all MOHCD-issued loans
- BOS approvals on all housing revenue bond issuances for individual projects



EARTHQUAKE LOAN GO BOND: LEGISLATIVE CALENDAR

Board of Supervisors Introduction:	June 28, 2016
Capital Planning Committee:	July 11, 2016
BoS Budget & Finance Committee:	June 29, July 13, 2016
Board of Supervisors 1 st Read:	July 19, 2016
Board of Supervisors 2 nd Read:	July 26, 2016
Election:	November 8, 2016



THANK YOU!

