



# 2019 General Obligation Affordable Housing Bond Report



**CITY AND COUNTY OF SAN FRANCISCO**  
Report Prepared By The Mayor's Office of Housing  
and Community Development



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## Key Housing Terms

**Affordable Housing:** Refers to housing with a rent or cost of ownership equal to 30% or less of the household’s income and/or housing that is funded by the government, rented or sold at prices that are below the local market rate, and restricted to qualifying households with limited incomes

**AMI:** Area median income; for 2018 100% of AMI for an individual is \$82,900, and for a family of four it is \$118,400

**ELI:** Extremely Low-Income; households earning 30% AMI or less

**Low-Income:** Households earning between 30% and 80% AMI

**Middle-Income:** Households earning between 80% and 200% AMI

**Market-Rate Housing:** No income limit restriction

**Public Housing:** Federally subsidized low-income housing restricted to households with incomes of up to 80% AMI



# Executive Summary

The City and County of San Francisco is proposing a \$500 million General Obligation Affordable Housing Bond to address critical housing needs, protect residents, and stabilize communities. With this investment, the City can:

- Create new affordable homes, especially for our growing senior population
- Accelerate the rebuilding of distressed public housing sites for some of the City’s most vulnerable residents
- Preserve affordability in existing housing at risk of market-rate conversion or loss due to physical disrepair
- Protect San Franciscans living in apartments at risk of displacement including those covered by rent-control
- Expand rental and homeownership opportunities for the City’s middle-income residents and workforce, including educators, non-profit workers, and service industry employees
- Set a goal for \$200M of the Bond’s funds to serve extremely low-income households (30% AMI or less)

The estimated funding program for the bond is as follows:

Program Categories	2019 GO Bond Funding
Public Housing	\$150 Million
Low-Income Housing (up to 80% AMI)	\$210 Million
Affordable Housing Preservation (30% to 120% AMI) & Middle-Income Housing (80% AMI up to 175% AMI)	<u>\$50 Million:</u> \$30 Million (est.) - preservation \$20 Million (est.) - middle-income
Senior Housing (up to 80% AMI)	\$90 Million
<b>TOTAL</b>	<b>\$500 Million</b>

# Background



Since 2012, City leaders and voters have repeatedly demonstrated their support for policies and investments that address the housing needs of San Francisco’s workforce and vulnerable residents. In 2012, voters approved the creation of the Housing Trust Fund. In 2015, 74% of voters approved Proposition A, a \$310 million general obligation affordable housing bond. Then in 2016, voters passed Proposition C to repurpose \$260 million in unused bond capacity to fund the Preservation and Seismic Safety (PASS) program to acquire, rehab, and convert at-risk buildings to permanent affordable housing. In 2018, over 60% of voters said yes to Proposition C, which created a gross receipts tax on high-earning corporations for the purpose of providing homelessness prevention measures, shelters, and permanent exits from homelessness.

Mayor London Breed has moved swiftly to expand and enhance these important efforts. With the partnership of Board of Supervisors President Norman Yee, they launched the 2019 Housing Bond proposal by convening a working group of over 100 affordable housing developers, neighborhood leaders, construction and finance experts, property owners, elected officials, tenant advocates, and business and philanthropic professionals to help define and prioritize the 2019 Affordable Housing Bond uses described in this report.

The 2019 Affordable Housing Bond builds upon the goals and successes of the 2015 Housing Bond. That earlier measure, which provided \$310 million for low- and middle-income housing, public housing, and affordable housing built specifically in the Mission neighborhood, will be fully disbursed by July 2019 and produce or preserve over 1,600 affordable homes. The specific program breakdown and accomplishments of the 2015 Housing Bond follow below (dollar values in millions):

2015 General Obligation Housing Bond Program	Total Bond Funding	New or Preserved Affordable Housing Opportunities Created
Public Housing	\$80 Million	517
Low-Income Housing	\$100 Million	548
Affordable Housing in the Mission	\$50 Million	273
Middle-Income Housing	\$80 Million	275
<b>TOTAL</b>	<b>\$310 Million</b>	<b>1,613</b>



## 2019 Housing Bond:

# Need For The Investment

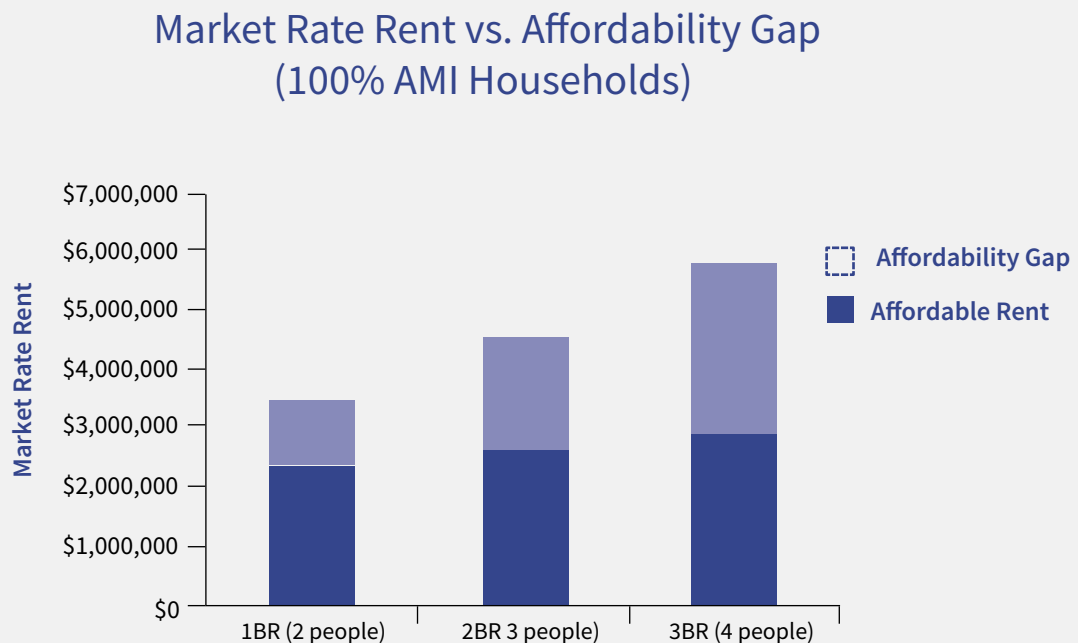
Since 2011, market-rate rental costs and homeownership prices have far outpaced income increases for most working households. This “affordability gap” leaves families and individuals vulnerable to displacement and homelessness. Though there has been significant affordable housing production and preservation in the last five years, a critical need for more affordable housing continues. High costs and low supply bring personal hardship, accelerate displacement, undermine balanced economic growth, and cause environmental damage as workers endure longer daily work commutes.

### Sizing the Affordability Gap

The Affordability Gap is the difference between what housing costs and what households of various sizes can afford to pay. It is pegged to income level using the percentage of San Francisco’s Area Median Income (AMI) and household size.

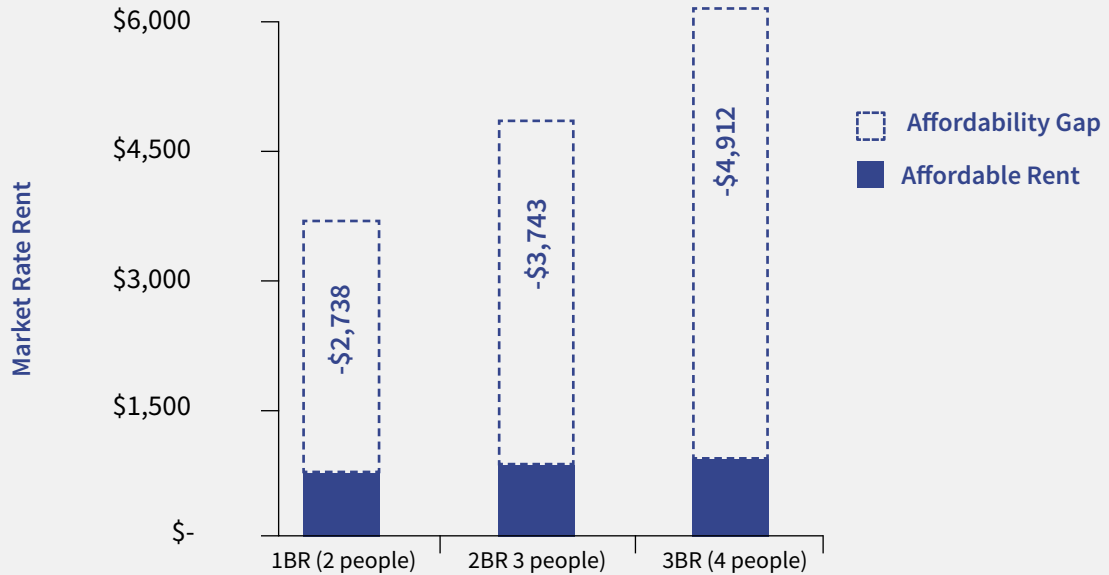
San Francisco has among the highest AMI in the nation, but for many it is still not enough to afford a market-rate apartment. For example, in 2018 the AMI was \$82,900 for a single person, which translates to an affordable rent of approximately \$2,075 for a studio or one-bedroom apartment. Average one-bedroom market-rate apartments rent for \$3,450, leaving a gap of \$1,375, or about 66% more than is affordable. Larger households face an even greater affordability gap, and for those earning less than 100% AMI a market-rate apartment can be completely out of reach. For a household of four earning 30% of AMI, the monthly shortfall is nearly \$5,000.

INSERT 100% AMI bar graph from Heather.



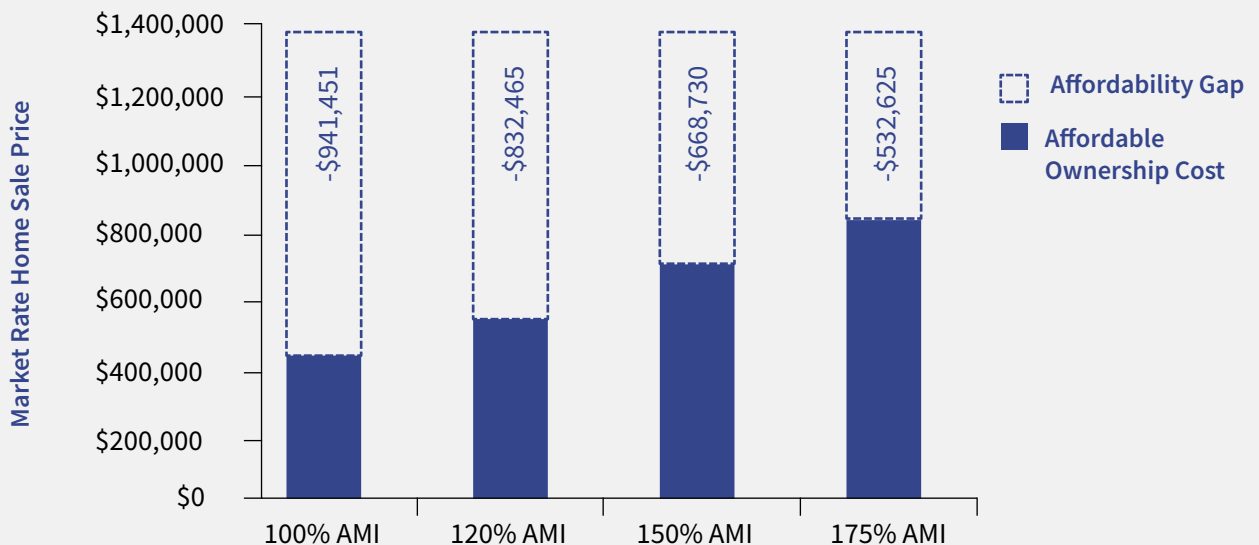


## Market Rate Rent vs. Affordability Gap (30% AMI Households)



Homeownership is likewise out of reach for many. A household earning 100% AMI faces a nearly one million dollar homeownership gap. Even a household earning 175% AMI can only afford two-thirds of what it takes to become a homeowner.

## Homeownership Gap





# 2019 Affordable Housing Bond Program Elements

To address the immediate and serious need for more affordable housing in San Francisco, the 2019 Affordable Housing Bond proposes four categories of investments, each of which supports people earning a range of incomes:

- Public housing
- Low-income housing
- Affordable housing preservation & Middle-Income housing
- Senior housing

For all investment categories, State Constitutional requirements regarding eligible uses of general obligation bond funding apply. For each investment, specific eligible uses will be prioritized with the overall goal of protecting our City’s most vulnerable residents; stabilizing communities, especially neighborhoods in which there has been limited affordable housing production; enhancing the City’s economic health; and planning for a future San Francisco that maintains its diversity and vibrancy.



# 1. Public Housing: \$150 Million

**Eligible Uses:** The repair and rebuilding of distressed public housing and its underlying infrastructure.

## Who is Served?

- Existing public housing residents, including families, seniors, and people with disabilities
- New generations of residents earning 0-80% AMI
- Low-income families living in new units added to public housing sites
- Communities and neighborhoods in which the developments are located

San Francisco has made tremendous progress towards fulfilling its commitment to renovate or rebuild all of the City's public housing. In 2013, the City, the San Francisco Housing Authority (SFHA), the U.S. Department of Housing and Urban Development (HUD), and San Francisco's affordable housing development community came together to convert 3,500 underfunded and dilapidated public housing apartments to nonprofit ownership. This conversion allowed the development teams to bring almost \$800 million in rehab investments to the buildings, thereby preserving this critical affordable housing and improving residents' daily lives.

The City also launched a nationally-acclaimed public housing rebuilding effort known as HOPE SF. Commencing in 2008, two of the four developments identified for HOPE SF investments are largely complete, and the transformation is profound. Two additional HOPE SF sites, Sunnydale and Potrero, are underway, and the Bond will help keep construction moving forward without delay. SFHA has other, smaller developments that are also converting to private ownership with a substantial rehabilitation goal. The Bond will help ensure that the habitability concerns of all remaining public housing residents can be addressed

While SFHA has encountered financial issues, the City is committed to ensuring its public housing investment is efficiently managed and is providing full oversight and responsibility for SFHA's essential functions.

**Priorities:** Projects that address the following goals and needs will be prioritized:

- **Urgent capital needs to address life safety risks, including:**
  - Elevator repair
  - Mold remediation
  - Lead paint abatement
  - Plumbing repair
- Additional creation of net new homes
- Acceleration of long construction timelines
- Reduction of adverse community impacts caused by long construction timelines



Hunters View public housing before HOPE SF transformation



Hunters View public housing after HOPE SF transformation

## 2. Low-Income Housing: \$210 Million

**Eligible Uses:** The construction, acquisition, and rehabilitation of permanently affordable rental housing serving individuals and families earning from 0% to 80% AMI.

**Who is Served?** Low-income housing protects vulnerable populations, such as

- Working Families
- Veterans
- Seniors
- People with disabilities
- Transitional aged youth
- People experiencing homelessness

Low-income housing also serves vital members of the City’s workforce in jobs with traditionally low pay scales, such as school district employees, nonprofit workers, health care attendants, and hotel, restaurant, and retail employees.

**Priorities:**

- Shovel-ready projects able to start construction within 4 years
- Predevelopment funding to jumpstart new construction with \$10 million reserved for permanent supportive housing development
- Proximity to public transit
- Projects able to leverage City funds with the most additional resources, including state and federal funding and public land
- Project located in neighborhoods with limited affordable housing production

# Housing Serving Essential City Workers

Retail Clerk  
\$24,000/year

Restaurant Staff  
\$30,000/year

Healthcare Assistant  
\$40,000/year

Teacher  
\$60,000/year

Police Officer  
\$90,000/year



Public Housing for people earning \$30,000 or less per year

Low-Income Housing for people earning \$30,000 - \$70,000 per year

Middle-Income Housing for people earning \$70,000 - \$120,000 per year

### 3. Affordable Housing Preservation (\$30M est.) & Middle-Income Housing (\$20M est.): \$50 Million

**A. Affordable Housing Preservation Eligible Uses:** The acquisition and/or rehabilitation of rental housing at risk of losing affordability, whether through market forces or a building's physical decline.

**Who is Served?** Low to middle-income households earning between approximately 30% and 120% of AMI, such as:

- Current residents living in housing at-risk of losing affordability (e.g. unlawful evictions and physical disrepair)
- Future generations of tenants

**Priorities:**

Acquisitions and/or rehabilitation

- To create or enhance permanent affordability
- For buildings at imminent risk of conversion to market-rate rents
- In neighborhoods with limited affordable housing production
- In neighborhoods with high documented eviction rates

**B. Middle-Income Eligible Uses:** The creation of new affordable housing opportunities through down payment assistance loans, and the purchase of buildings or land for new affordable construction.

**Who is Served?**

- Households earning between 80% and 175% of AMI
- Teacher Next Door educators earning up to 200% of AMI

**Priorities:**

- Households eligible for the Down Payment Assistance Loan (DALP) program
- SFUSD educators eligible for Teacher Next Door Down Payment Assistance Loans (TND)



## 4. Senior Housing: \$90 Million

**Eligible Uses:** The creation of new affordable senior housing rental opportunities, through new construction and acquisition.

**Who is Served?** Seniors on fixed incomes earning from 0% AMI to 80% AMI, who are especially vulnerable in San Francisco's inflated housing market. Senior housing currently makes up only 12% of the City's pipeline for affordable housing, but 24% of residents are seniors living under the poverty line.

**Priorities:**

- New construction
- Projects able to leverage the most additional resources, including state and federal funding, public land, and especially ongoing rental subsidies for extremely low-income seniors
- Developments located in neighborhoods with limited affordable senior housing production
- Proximity to public transit



## Program Summary

The table below summarizes the 2019 Affordable Housing Bond program and projected timeline for expenditures.

INVESTMENT CATEGORY	VALUE	ELIGIBLE & PRIORITIZED USES	WHO IT SERVES	AFFORDABLE HOMES PRODUCED OR PRESERVED (est.)	TIMELINE
Public Housing	\$150 Million	Repair and rebuilding of distressed public housing developments and their underlying infrastructure	<ul style="list-style-type: none"> <li>Existing public housing residents</li> <li>New generations of assisted residents, at 10%-80% AMI</li> <li>Low-income families living in new units added</li> </ul>	965	2020-2025
Low-Income Housing	\$210 Million	Construction, acquisition, and rehabilitation of affordable rental housing, focusing on shovel-ready projects and predevelopment for permanent supportive housing	<ul style="list-style-type: none"> <li>Extremely low- and low-income households</li> <li>Chronically homeless households and other vulnerable populations (\$10M is reserved for supportive housing predevelopment)</li> </ul>	1,000	2020-2024
Affordable Housing Preservation	\$30 Million (est.)	Acquisitions and/or rehabilitation of existing buildings at risk of losing affordability, either to market-rate rents or through physical decline	<ul style="list-style-type: none"> <li>Existing residents earning between approximately 30% and 120% AMI</li> </ul>	90	2020-2025
Middle-Income Housing	\$20 Million (est.)	Housing opportunities for households earning between 80% and 200% AMI, focusing on DALP and TND	<ul style="list-style-type: none"> <li>Households earning between 80% and 200% AMI</li> <li>First-time homebuyers earning between 80% and 175% AMI</li> <li>SFUSD educators up to 200% AMI</li> </ul>	60	2020-2021
Senior Housing	\$90 Million	New affordable senior rental opportunities	<ul style="list-style-type: none"> <li>Seniors on fixed incomes at 30% AMI or lower</li> <li>Low-income seniors up to 80% AMI</li> </ul>	300	2020-2025
<b>TOTALS</b>	<b>\$500 Million</b>			<b>2,415</b>	



# Accountability

The 2019 Affordable Housing Bond will include strict standards of accountability, fiscal responsibility, and transparency. In addition to California state bond accountability requirements, the Mayor's Office of Housing and Community Development (MOHCD), in collaboration with other relevant City departments, such as the Controller's Office and City Attorney's Office, will create a comprehensive public oversight and accountability process for the duration of the Bond program.

The following principles apply to all related programs funded through the 2019 Affordable Housing Bond:

**Policy Compliance:** The proposed bond funding levels complies with the City's policy to keep property taxes constrained at or below their 2006 level. The 2019 Affordable Housing Bond program is also consistent with the Housing Element of the San Francisco General Plan and with the eight priority policies set forth in Planning Code Section 101.1 of the Planning Code.

**CGOBOC Audits:** The City's Citizens' General Obligation Bond Oversight Committee (CGOBOC) is responsible for auditing the implementation of the 2019 Housing Bond per the Administrative Code (Section 5.30 to 5.36). This independent, nine member committee is appointed by the Mayor, the Board of Supervisors, the Controller, and the Civil Grand Jury. One-tenth of one percent (0.1%) of the bond funds would pay for the committee's audit and oversight functions. Should CGOBOC determine that any funds were not spent in accordance with the express will of the voters, they are empowered to deny subsequent issuances of bond funds.

**Annual Public Review:** The proposed bond funds are subject to the approval processes and rules described in the San Francisco Charter Administrative Code. The bond will be subject to annual public reviews before the Capital Planning Committee and Board of Supervisors.

**Bond Accountability Reports:** Per the Administrative Code (Section 2.70 to 2.74), 60 days prior to the issuance of any portion of the bond authority, MOHCD will submit a 2019 Affordable Housing Bond accountability report to the Clerk of the Board, the Controller, the Treasurer, the Director of Public Finance, and the Budget Analyst describing the current status and description of each project and whether it conforms to the express will of the voters.

**Transparency:** For project selections, MOHCD will issue and advertise transparent Requests for Proposals or Requests for Qualifications that clearly set forth selection criteria and rules, including objective means of prioritizing projects in conformance to the Affordable Housing Bond's express eligible and priority uses.



# 10-YEAR CAPITAL PLAN

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Adopted through legislation by the Mayor and Board of Supervisors in 2005, the Capital Planning Committee was created to guide and prioritize capital needs citywide. The Capital Plan is developed by the committee and adopted annually by the Board of Supervisors prior to adoption of the City budget. The City invests significant General Fund dollars into the repair and rehabilitation of our capital assets every year. However, the City cannot rely on annual funds alone to address these critical infrastructure needs. Where annual funds are not adequate to pay the costs of major capital improvements, the Plan recommends using one of two sources of long-term debt financing:

- General Obligation (G.O.) bonds backed by property taxes upon approval by voters
- General Fund debt programs backed by the City's General Fund upon approval by the Board of Supervisors and the Mayor

General Obligation bonds and General Fund debt programs are appropriate means of funding capital improvements as they spread the costs over their long, useful lives and across the generations of San Franciscans that will reap their benefits.

The Plan prioritizes critical capital projects to protect the public's safety and well-being; places a strong emphasis on accountability and transparency; and most importantly, demonstrates the highest levels of fiscal restraint and responsibility. Since its inception, the top priorities of the Capital Plan have been improvement of critical City infrastructure, including San Francisco's public health and safety, transportation, and parks and open space. As the City's unaffordability crisis has grown, affordable housing has entered the G.O. Bond Program, first in 2015. The most recent Capital Plan includes \$500 million for the 2019 Affordable Housing Bond.

The Capital Plan G.O. Bond Program chart below illustrates the relationship between the G.O. Bond Program and the local tax rate, including existing and outstanding issuance and voted-approved bonds. This view shows the City's policy constraint that G.O. Bonds will not increase the property tax rate above 2006 levels.

**For more information on the City's capital plan, please visit [www.onesanfrancisco.org](http://www.onesanfrancisco.org)**

**Capital Plan G.O. Bond Program (Certified AV 8-1-18) 2019-2029**



# Project Schedule

- |                          |  |
|--------------------------|--|
| <b>May 6, 2019:</b>      | Presentation of the 2019 Affordable Housing Bond to the Capital Planning Committee |
| <b>May 2019:</b>         | Introduction to the Board of Supervisors   |
| <b>November 5, 2019:</b> | Election Day   |
| <b>January 2020:</b>     | Project Implementation Begins  |

