

MAYOR'S OFFICE OF HOUSING

SAN FRANCISCO HOUSING TRUST FUND

Presentation to Rules Committee

July 11, 2012

Document ⑤

CITY AND COUNTY OF

SAN FRANCISCO

MAYOR EDWIN M. LEE



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2. Working Group Process
3. Funding Structure
4. Housing Trust Fund
 - Affordable Rental Production
 - Homeownership and Housing Stabilization
 - Market and BMR Stimulus
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CONTEXT AND NEED

- 1. Funding for Housing Production**
- 2. Affordability Gap**
- 3. Population Trends**
- 4. Housing and the Economy**



FUNDING FOR HOUSING

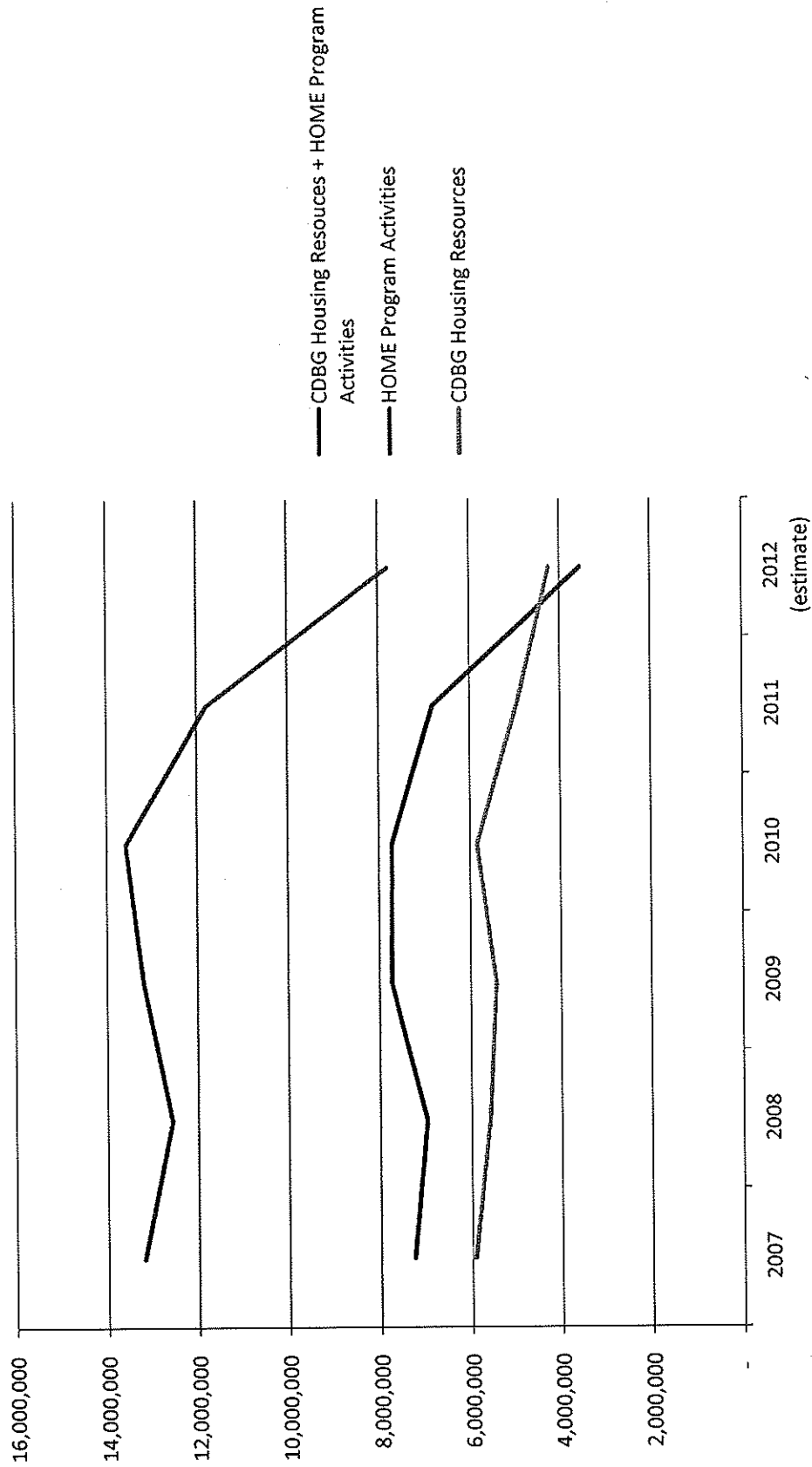
“Most state, federal, and local funding for affordable housing development has decreased since FY 2006-07. Local sources of funding have decreased due to economic and political uncertainty. The City has collected no or few affordable housing fees from FY 2008-09 through FY 2010-11 due to declines in market rate housing development. Although tax increment financing of affordable housing projects has been stable, dissolution of the SFRA will eliminate this source of funding. “

- *Performance Audit of San Francisco's Affordable Housing Policies and Programs, Budget and Legislative Analyst*



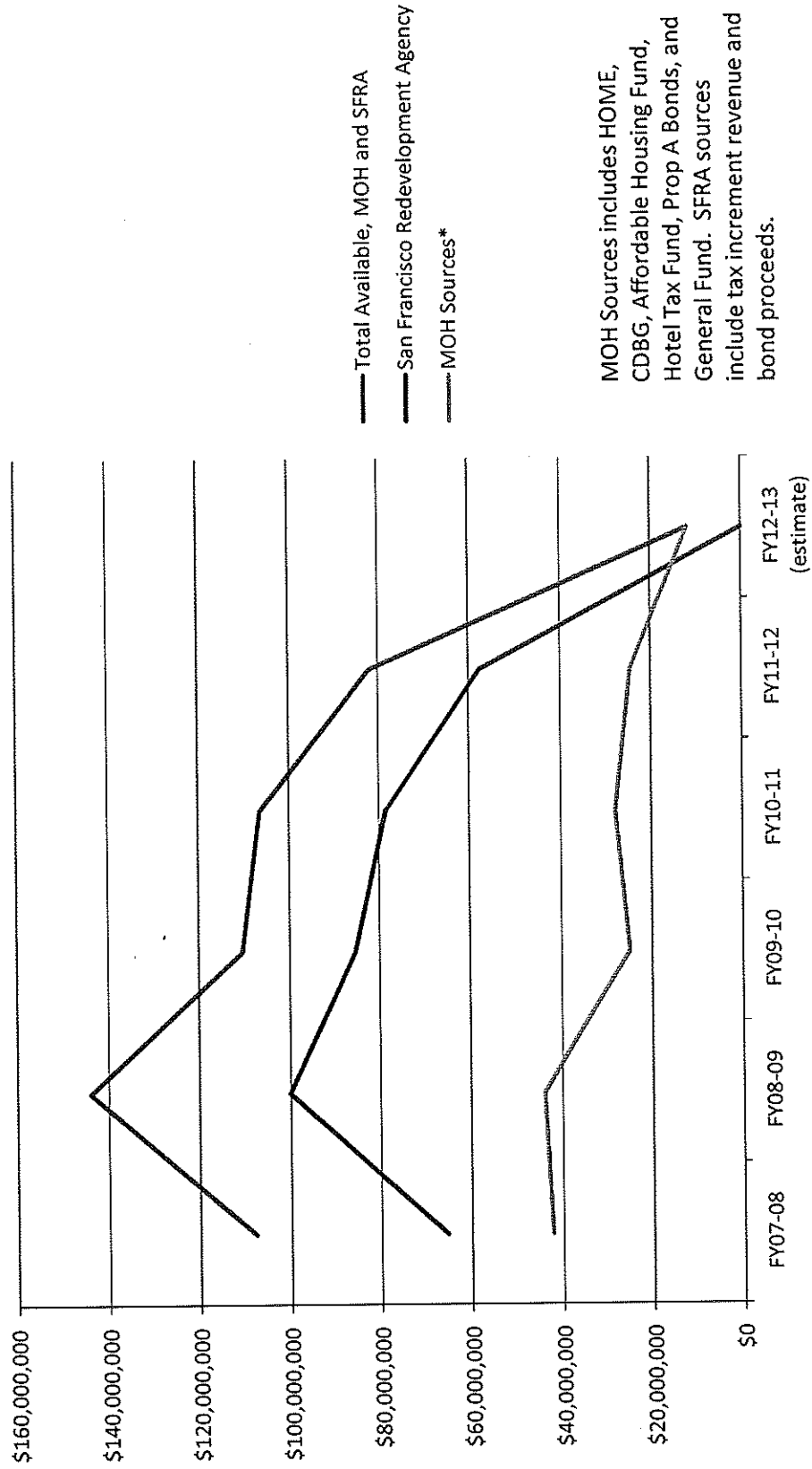
FUNDING FOR HOUSING

City-Allocated Federal Housing Resources, 2007-2012



FUNDING FOR HOUSING

San Francisco Housing Resources, MOH + SFRA, 2007-2012



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THE AFFORDABILITY GAP



AFFORDABILITY GAP

Housing Snap Shot

Total Housing Units: 336,613

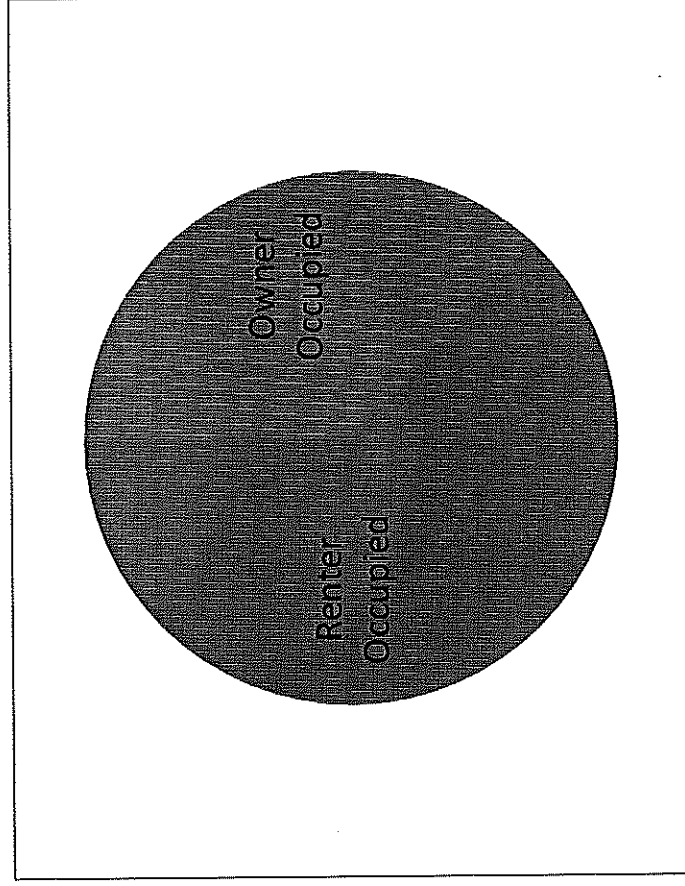
Owner Occupied Units 37%

Renter Occupied Units 63%

Median Sales Price (2BR) \$667,800

Median Owner Costs \$3,196/mo

Fair Market Rent (2BR) \$1,905/mo



Source: ACS 2008-2010 three year estimates



AFFORDABILITY GAP - RENTAL

Citywide Median Contract Rent Compared to MOH Affordable Rent Levels by Bedroom Size

← no gap →

# of BRs	Market Rent	30% AMI		50% AMI		80% AMI		120% AMI	150% AMI
		Affordable Rent ^a	Gap ^b	Affordable Rent ^a	Gap ^b	Affordable Rent ^a	Gap ^b	Affordable Rent ^a	Affordable Rent ^a
Studio	\$1,238	\$523	(\$715)	\$870	(\$368)	\$1,393	-	\$2,088	\$2,610
1-BR	\$1,522	\$596	(\$926)	\$994	(\$528)	\$1,590	-	\$2,385	\$2,981
2-BR	\$1,905	\$671	(\$1,234)	\$1,119	(\$786)	\$1,789	(\$116)	\$2,684	\$3,355
3-BR	\$2,543	\$745	(\$1,798)	\$1,243	(\$1,300)	\$1,988	(\$555)	\$2,983	\$3,728
4-BR	\$2,688	\$805	(\$1,883)	\$1,343	(\$1,345)	\$2,148	(\$540)	\$3,220	\$4,026

- a. Affordable rent is based on the San Francisco Mayor's Office of Housing published rents and equals maximum monthly rent for each unit type and includes the cost of utilities
- b. Affordability gap equals affordable rent minus HUD fair market rent

Source: San Francisco Mayor's Office of Housing, HUD published Fair Market Rents for San Francisco, Seifel Consulting Inc.



AFFORDABILITY GAP - OWNERSHIP

Affordable Home Sales Prices for a 2-Bedroom and 3-Person Household, 2007 to 2011

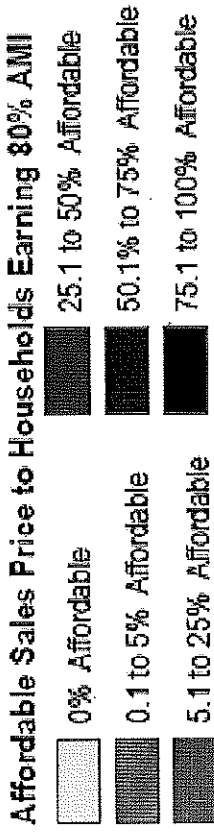
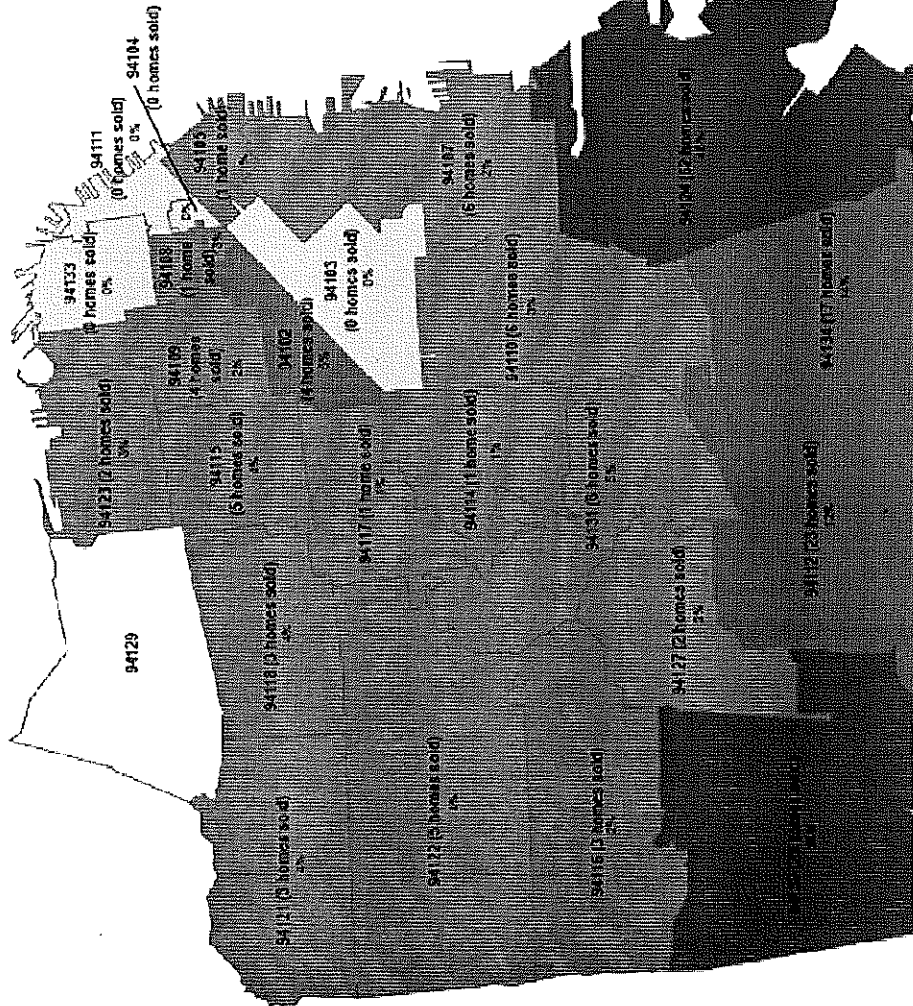
Income Levels ^b	2007		2011	
	Affordable Sales Price ^c	Affordability Gap ^d	Affordable Sales Price ^c	Affordability Gap ^d
150% AMI	\$460,000	(\$377,000)	\$556,000	(\$112,000)
120% AMI	\$383,199	(\$453,801)	\$437,000	(\$231,000)
80% AMI	\$243,914	(\$593,086)	\$278,000	(\$390,000)
Median Price	\$837,000		\$668,000	

- a. Affordable sales prices and median sales prices are rounded to nearest \$1,000.
- b. Income categories are based on Maximum Income by Household Size published by HUD. 3 person family assumed.
- c. Affordable sales price calculation assumes 33 percent of income is spent on housing and a 10 percent downpayment and 90 percent financing based on an annual average interest rate per Federal Reserve Bank and includes utilities, real estate tax and insurance.
- d. Affordability gap equals affordable sales price minus median sales price for 2-bedroom unit.
- e. Median sales price is for a 2-bedroom single family or condominium from Zillow for July of each year.

Source: San Francisco Mayor's Office of Housing, Federal Reserve Bank, San Francisco County Assessor's Office, California HCD, Zillow, Seifel Consulting Inc.



AFFORDABILITY GAP - OWNERSHIP



Source: DataQuick, Seifel Consulting Inc.

Total Home Sales Affordable to Households Earning 80% AMI: 178 Homes



AFFORDABILITY GAP - OWNERSHIP



Source: DataQuick, Seifel Consulting Inc.

Total Home Sales Affordable to Households Earning 120% AMI: 618 Homes

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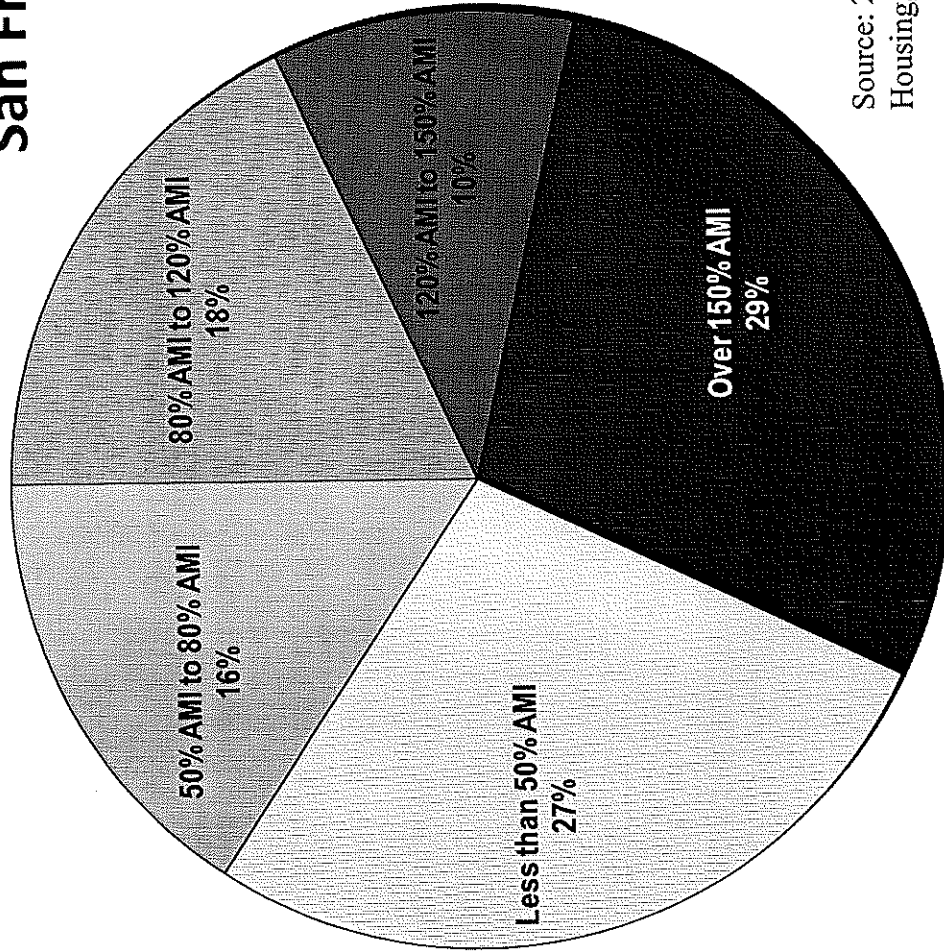


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POPULATION TRENDS



San Francisco Population by Income



18% of San Francisco residents are moderate income (80-120% AMI)

16% of San Francisco residents are low income (50% AMI-80% AMI)

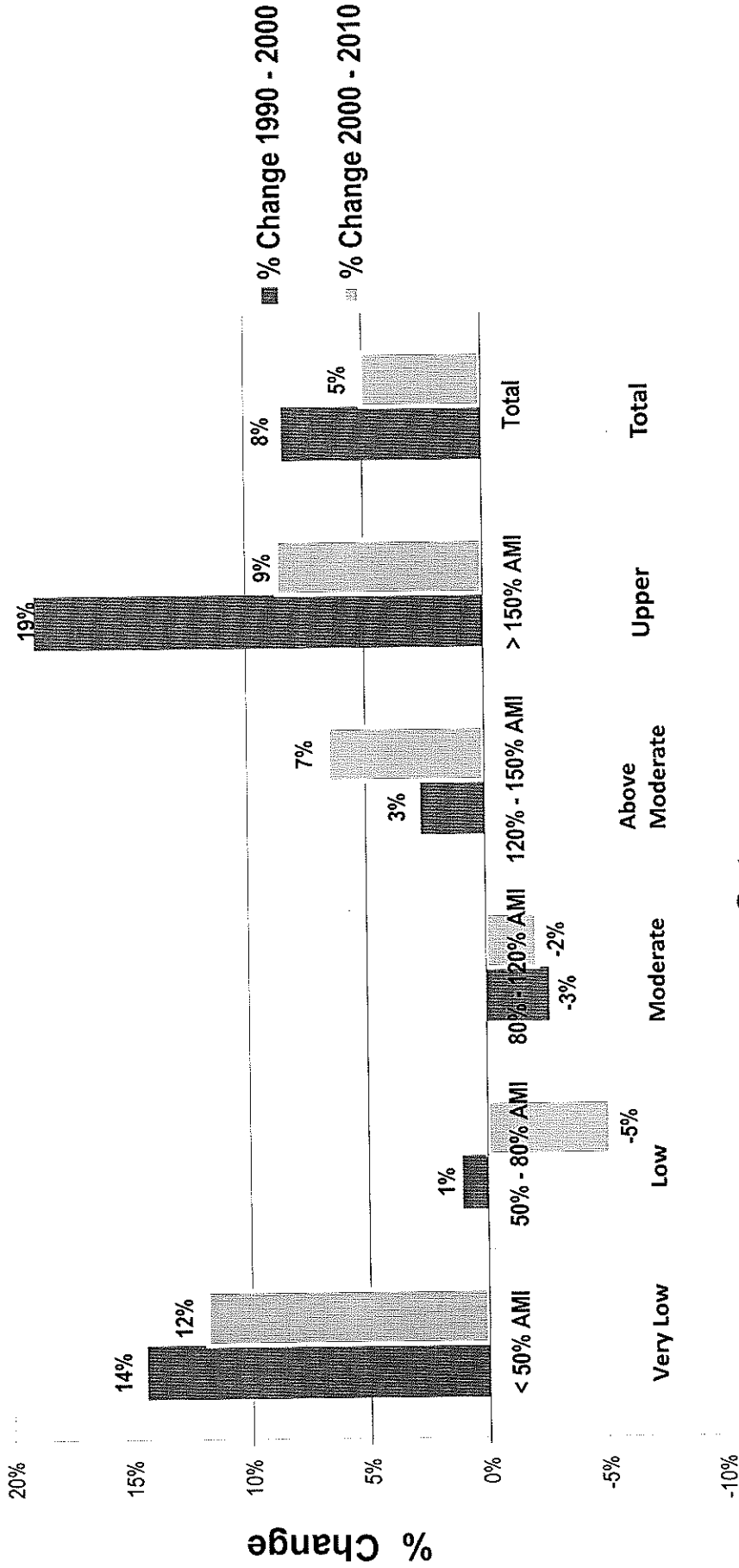
10% of San Francisco residents are middle income (120-150% AMI)

More than half of residents (56%) are either upper income or very low income households.

Source: 2005-2009 five year estimates/IPUMS, Mayor's Office of Housing, Seifel Consulting Inc.



POPULATION TRENDS



Income Category

Source: 2005-9 five year estimates/IPUMS, 1990 and 2000 Census/IPUMS, Seifel Consulting Inc.



MAYOR'S OFFICE OF HOUSING

HOUSING AND THE ECONOMY



HOUSING AND THE ECONOMY

Job Creation

Market Rate Developments					
<u>Product Type</u>	<u>Units</u>	<u>Temp Jobs</u> <i>(Construction)</i>	<u>Multiplier Effect</u> <i>(Construction-related)</i>	<u>Perm Jobs</u> <i>(Permanent)</i>	<u>Total</u>
Multifamily Residence	100	80	42	32	154
\$10 Million Dollar Remodel	100	78	35	0	113
Tax Credit Developments					
<u>Product Type</u>	<u>Units</u>	<u>Temp Jobs</u>	<u>Multiplier Effect</u>	<u>Perm Jobs</u>	<u>Total</u>
Family	100	80	42	30	152
Senior	100	75	39	32	146
Averages		78	40	24	141

* NAHB June 2009 report, The Local Impact of Home Building in a Typical Metro Area

* NAHB June 2009 report, Local Economic Impact of Typical Housing Tax Credit Developments



Economic Competitiveness

Labor costs drive the city's competitiveness as a business location in the Bay Area.

Two-thirds of a typical business's expense is labor costs.

Housing drives labor costs.

Housing costs are 38% of consumer spending in the Bay Area.

SF housing prices are the highest in the region.

Housing costs are a major reason why:

Average wages are 8% higher in San Francisco than the rest of the Bay Area

San Francisco has been the slowest-growing job center in the Bay Area over the past 25 years



HOUSING AND THE ECONOMY

Revenue	Per unit
Property Taxes	\$3,395
Property Tax in lieu of VLF	\$640
Property Transfer Tax	\$302
Sales Tax	\$308
Sales Health & Welfare Real.	\$412
Stte Public Safety Sales Tax Real.	\$154
Utility Users Tax (Telephone)	\$108
Access Line Tax	\$79
License, Permits & Franchises	\$67
Fines and Forfeitures	\$11
Total Revenues	\$5,477

Costs	Per unit
Public Health	\$156
Police	\$761
Human Welfare and Neighb. Dev.	\$203
Fire	\$440
MTA	\$410
Sheriff	\$70
Other Public Protectin	\$125
Culture and Recreation	\$289
General Administration	\$62
Public Works	\$51
Contingency (20%)	\$513
Total Costs	\$3,080

Net Fiscal Impact	\$2,397
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Source: Seifel Consulting, Inc.



SUMMARY:

- 1. Funds to support housing production are in steep decline**
- 2. We continue to struggle to close the gap between what people need, and what people can afford**
- 3. Matching housing production to housing need increases our economic competitiveness**
- 4. Housing production plays an important role in our local economy**



WORKING GROUP PROCESS

- 1. Over 50 Stakeholder Groups**
- 2. Focus groups**
- 3. Technical working group**
- 4. Regular meetings over 5 months to reach broad consensus**



HTE WORKING GROUP

Housers

Council of Community Housing Organizations (CCHO)
Bernal Heights Neighborhood Center
Mercy Housing
Chinatown Community Development Center
Community Housing Partnership
Corporation for Supportive Housing
Non Profit Housing Association of N. California
Bridge Housing
The John Stewart Company
Coalition for Better Housing
Tenants Union
Housing Rights Committee
Tenderloin Housing Clinic
Habitat for Humanity

Mission Housing
Tabernacle Community Development Corporation
Housing Action Coalition
Coalition on Homelessness
San Francisco Planning and Urban Research (SPUR)
Residential Builders Association
TIDA
San Francisco Housing Authority
AGI Capital
Emerald Fund
Lennar Urban Corporation
Jackson Pacific Ventures
Homeownership SF



HTE WORKING GROUP

Business/Labor

San Francisco Chamber of Commerce

Local 22

San Francisco Building and Construction Trades Council

N. Cal. District Council of Laborers

Laborers Local 261

Sheet Metal Workers Local 104

Alliance for Jobs

Property Owners

Building Owners and Managers Association

San Francisco Association of Realtors

Plan C

Apartment Association

Asian American Realtors

Small Property Owners

Lenders/Financial Intermediaries

Citibank

Wells Fargo

Union Bank

U.S. Bank

Silicon Valley Bank

Bank of America Merrill Lynch

Enterprise Community Partners

Community Housing Partnership Corp

Low Income Investment Fund

Local Initiatives Support Corporation



Guiding Principles:

1. Recycle RDA increment and capture new revenue
2. Address loss of Redevelopment/support affordable housing production
3. Stimulate housing production across all income-levels



FUND STRUCTURE

1. Recycled RDA Tax Increment
2. Hotel Tax
3. A New Source: Transfer Tax or Gross Receipts



FUND COMPOSITION

RDA Tax Increment - Housing

The HTF will capture former RDA Tax Increment as housing bond debt is retired

The amount of Tax Increment available in year 1 is approximately \$2 million. This grows to nearly \$56 million in year 30



FUND COMPOSITION

RDA Tax Increment - Infrastructure

The HTF will capture 25% of former RDA Tax Increment as infrastructure bond debt is retired

The amount of Tax Increment available in year 1 is approximately \$400 thousand. This grows to approximately \$11 million in year 30



FUND COMPOSITION

Hotel Tax

The HTF will capture that portion of the existing Hotel Room Tax originally created to fund replacement senior housing lost in Yerba Buena Project Area

\$5 million in Hotel Tax will be included in the HTF set-aside every year. This is consistent with the typical annual allocation to affordable housing



FUND COMPOSITION

New Revenue

A companion ballot measure will propose either:

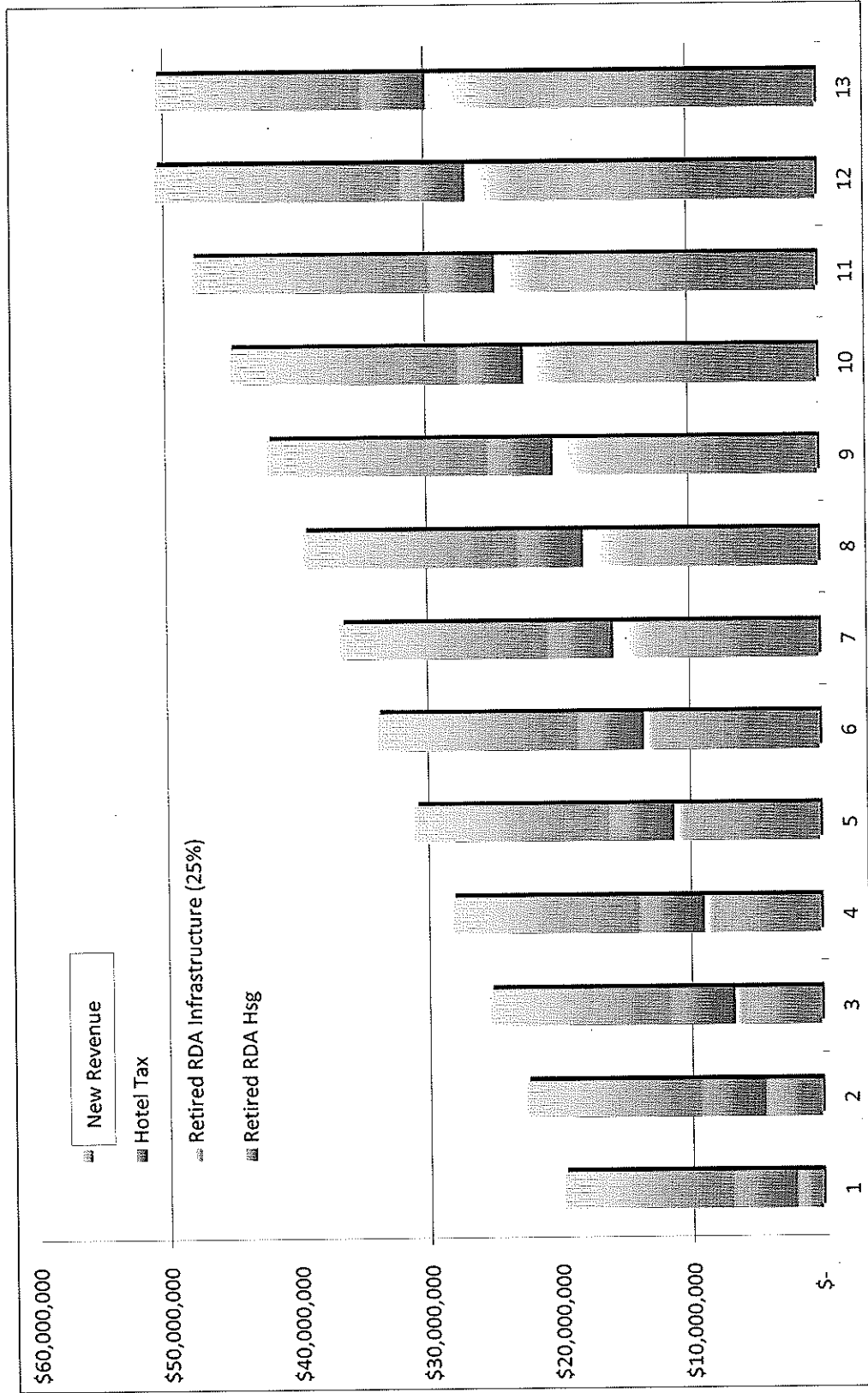
- a) 0.2% Transfer Tax increase on properties valued over \$1 million, or
- b) Gross receipts tax reform

Either measure will generate approximately \$13 million in additional revenue for the Housing Trust Fund in year 1

Should a new revenue measure not pass in November, the HTF includes a one-time veto provision for the Mayor



FUND COMPOSITION



HOUSING TRUST FUND PROGRAMS

1. Charter Amendment and Companion Legislation
2. Primary Goal: Balanced Growth
 - Affordable Housing Production
 - Homeownership and Housing Programs
 - Market Rate and BMR Stimulus



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AFFORDABLE HOUSING PRODUCTION



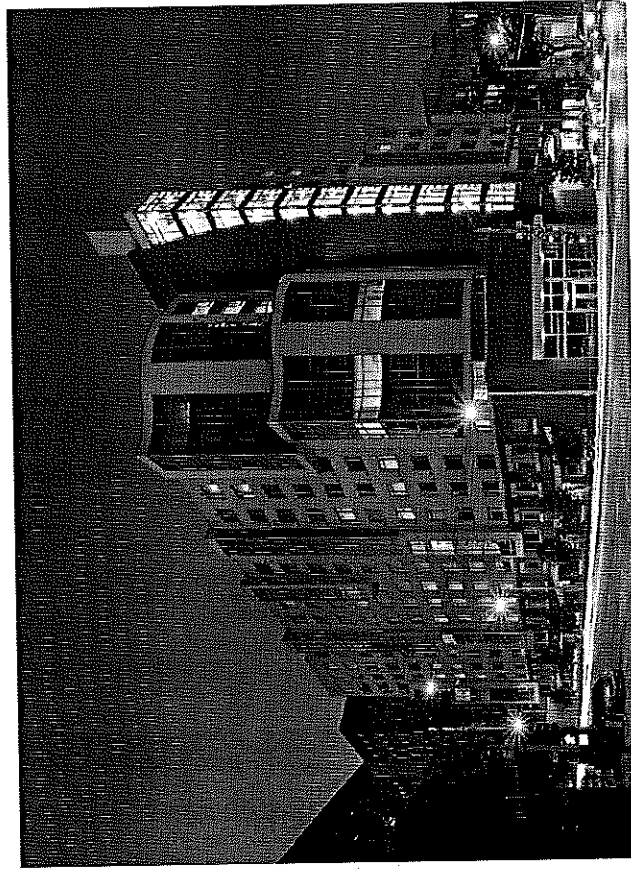
HOUSING PRODUCTION

The HTF will support implementation of MOH's aggressive affordable housing pipeline of nearly 9,000 units, including:

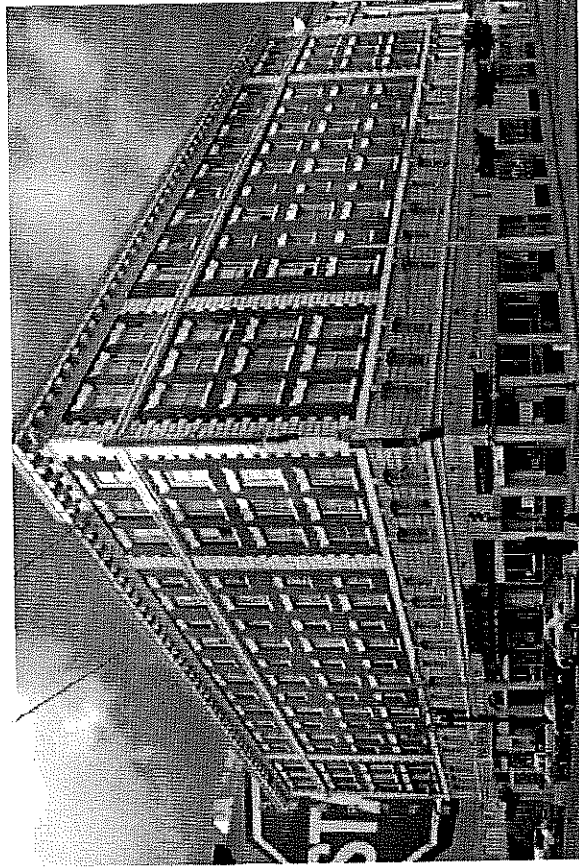
1. Completion of MOH's supportive housing and transitional aged youth initiatives;
2. Development of affordable housing parcels in major project areas such as Transbay, Mission Bay, Treasure Island, and Hunter's Point Shipyard;
3. Implementation of HOPE SF, the City's initiative to revitalize distressed public housing sites; and,
4. Acquisition and development of new permanently affordable housing sites throughout the City.



HOUSING PRODUCTION



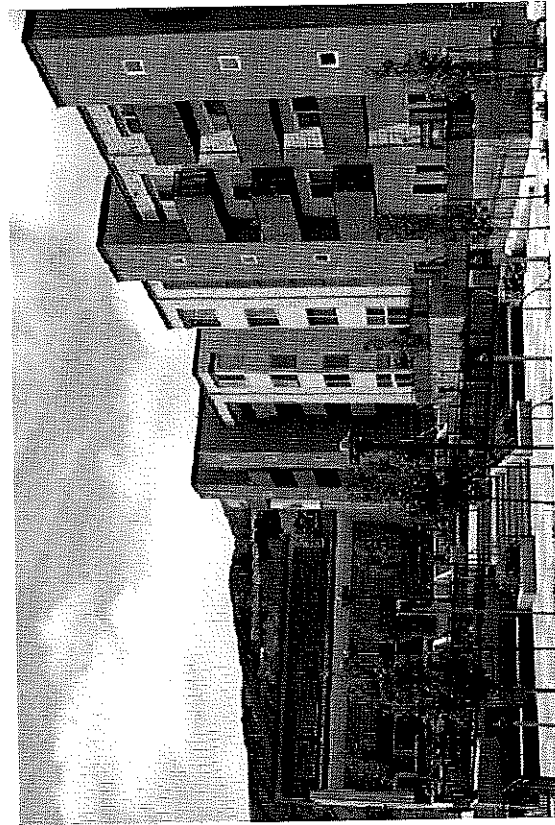
10th and Mission Family/Senior



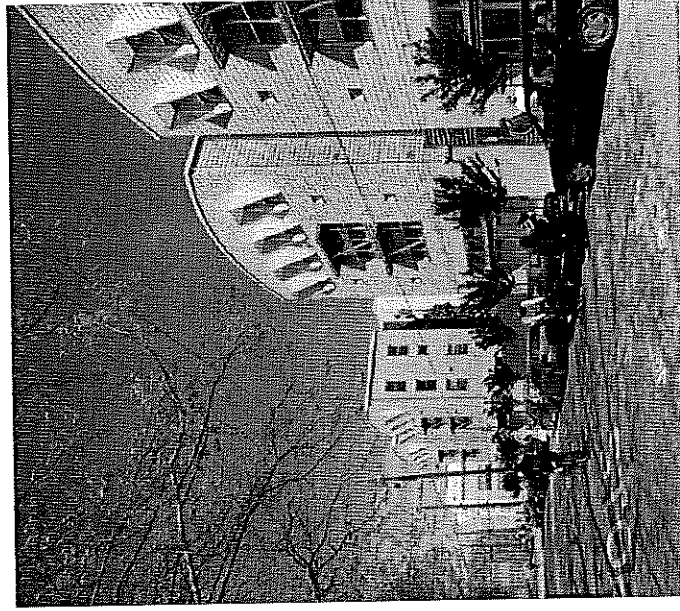
The Ambassador Hotel



HOUSING PRODUCTION



Carter Terrace



Mosaica Family/Senior



HOUSING PRODUCTION

Over 30 years, the HTF will provide approximately \$1.2 billion for affordable housing production;

Local funding for affordable housing for households at 60% AMI or below typically leverages state, federal, and private capital at a ratio of 1:1 or 2:1;

Total investment in housing and the economy through the HTF will be approximately \$3 billion in today's dollars.

Will allow San Francisco to return to affordable housing production levels under Redevelopment



MAYOR'S OFFICE OF HOUSING

**HOMEOWNERSHIP AND HOUSING
STABILIZATION PROGRAMS**



HOMEOWNERSHIP PROGRAMS

Homeownership Programs have assisted over 2,500 families purchase a home

Homeownership Assistance Programs*	Households Served to Date
Downpayment Assistance Loan Program (DALP)	502
City Second Loan Program (CSLP)	498
Police in the Community Loan Program (PIC)	16
Teacher Next Door Loan Program (TND)	40
Mortgage Credit Certificate Program (MCC)	1453

*Table represents the City's largest homeownership assistance programs, it is not a comprehensive list.

Source: Mayor's Office of Housing



HOMEOWNERSHIP PROGRAMS

The HTF will double the capacity of MOH's current down payment assistance loan program by providing \$15 million in the first five years

MOH's DALP is a revolving loan fund that sustains itself through repayments upon sale with a share of the appreciation



HOUSING STABILIZATION

Housing Stabilization Programs have assisted thousands of households improve and remain in their home

Housing Stabilization Programs*	Households Served to Date
CHRP (2004-2009)	39
CalHOME (2007 -)	33
Lead Remediation (2005 -)	684
Green Retrofit Initiative (2011/12)	1240
Housing Counseling (annually)	1,000

Source: Mayor's Office of Housing



HOUSING STABILIZATION

The HTF will provide new revenue totaling up to \$15 million in the first five years to extend and create housing stabilization programs

The Housing Stabilization Fund will be used to reduce the risk to current occupants of loss of housing through foreclosure prevention, accessibility improvements, energy efficiency upgrades, life-safety improvements, etc.



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**MARKET RATE AND
BELOW MARKET RATE (BMR)
INCENTIVES AND STIMULUS**



MAYOR'S OFFICE OF HOUSING

1. Lower residential production costs
2. Provide increased development certainty
3. Target growth to areas zoned for growth
4. Spur stalled projects
5. Provide incentives and flexibility for On-Site BMR Production



LOWER PRODUCTION COSTS

The HTF will stimulate production of new housing in 2 ways:

1. 20% reduction in the on-site inclusionary obligation
2. Elimination of the inclusionary obligation of small developments of 5-9 units;



INCLUSIONARY REDUCTION

Inclusionary Reduction:

1. Citywide reduction from 15% to 12% on-site requirement; Commensurate reduction in EN UMU Districts
2. 20% reduction in the on-site inclusionary obligation will produce approximately 1400 additional units, and \$7.5 million in additional annual revenue to the GF
3. Projects that already have a 12% requirement receive no additional reduction



SMALL SITE EXEMPTION

Smaller developments:

1. Typically have lower per-square-foot costs;
2. Have the potential to be built in areas of the City without larger development sites;
3. Include greater participation by local builders;
4. Have limited potential to produce BMR housing

The problem of lot subdivisions to avoid inclusionary requirements has been largely addressed through changes to Planning Code



DEVELOPER CERTAINTY

The HTF will stimulate production by increasing development certainty through the stabilizing of affordable housing obligations in existing plan areas

- Affordable housing fees are fixed for 30 years, increased according to an inflationary index
- Where value is created through changes in zoning, fee cap is lifted



DEVELOPER CERTAINTY

Exemptions to Fee Stabilization

1. Special use districts or other project-specific zoning changes that significantly increase residential development potential
 - 20% increase in developable residential floor area
 - 50% increase in residential density
2. Changes in zoning affecting areas of 40 acres or more
 - “Up-zoning” defined outside charter
 - Committee to make recommendations to BOS



TARGET GROWTH

HTF will assist in making projects more feasible and more successful in areas of the City zoned for growth but where production is still stalled

1. Lowering costs will facilitate development in areas where there is zoning capacity but where market conditions are still not favorable for new development;
2. **Complete Neighborhoods Infrastructure Grant Program** will support public realm improvements associated with new residential development.



SPUR STALLED PROJECTS

The HTF will spur stalled projects by:

- Providing (limited) extension of fee deferral
- High rise projects (120' and higher)
 - Affordable housing fees only

Providing (limited) ability for entitled projects to receive 20% Inclusionary reduction

- One-time/One-year request
- Requires Planning Commission Approval based on financial necessity
- Projects that have received their building permit are ineligible.



ON-SITE BMR INCENTIVES

The Inclusionary Housing Program is the primary mechanism for producing moderate income housing

1. Reducing on-site obligation while maintaining off-site and fee levels will provide incentives for on-site production
1. New “buy-up” program will allow City to provide incentives to developers to provide up to 20% on-site BMR



ON-SITE BMR FLEXIBILITY

Inclusionary "Dial" Program

Companion legislation will provide options for developers to meet their Inclusionary Obligation and better attend to a diverse need

	Current Req.	Proposed	Alt. #1	Alt. #2
Affordable Housing Fee	20%	=	=	=
Off Site Inclusionary %	20%	=	=	=
AMI % (ownership)	90%	=	110%	70%
AMI % (rental)	55%	=	70%	40%
On Site Inclusionary %	15%	12%	16%	10%



SUMMARY:

THE HOUSING TRUST FUND WILL:

1. Create a 30-year funding source for affordable housing
2. Increase housing options for the City's diverse population
3. Provide support to households to remain in their homes
4. Stimulate development to the benefit of our local economy



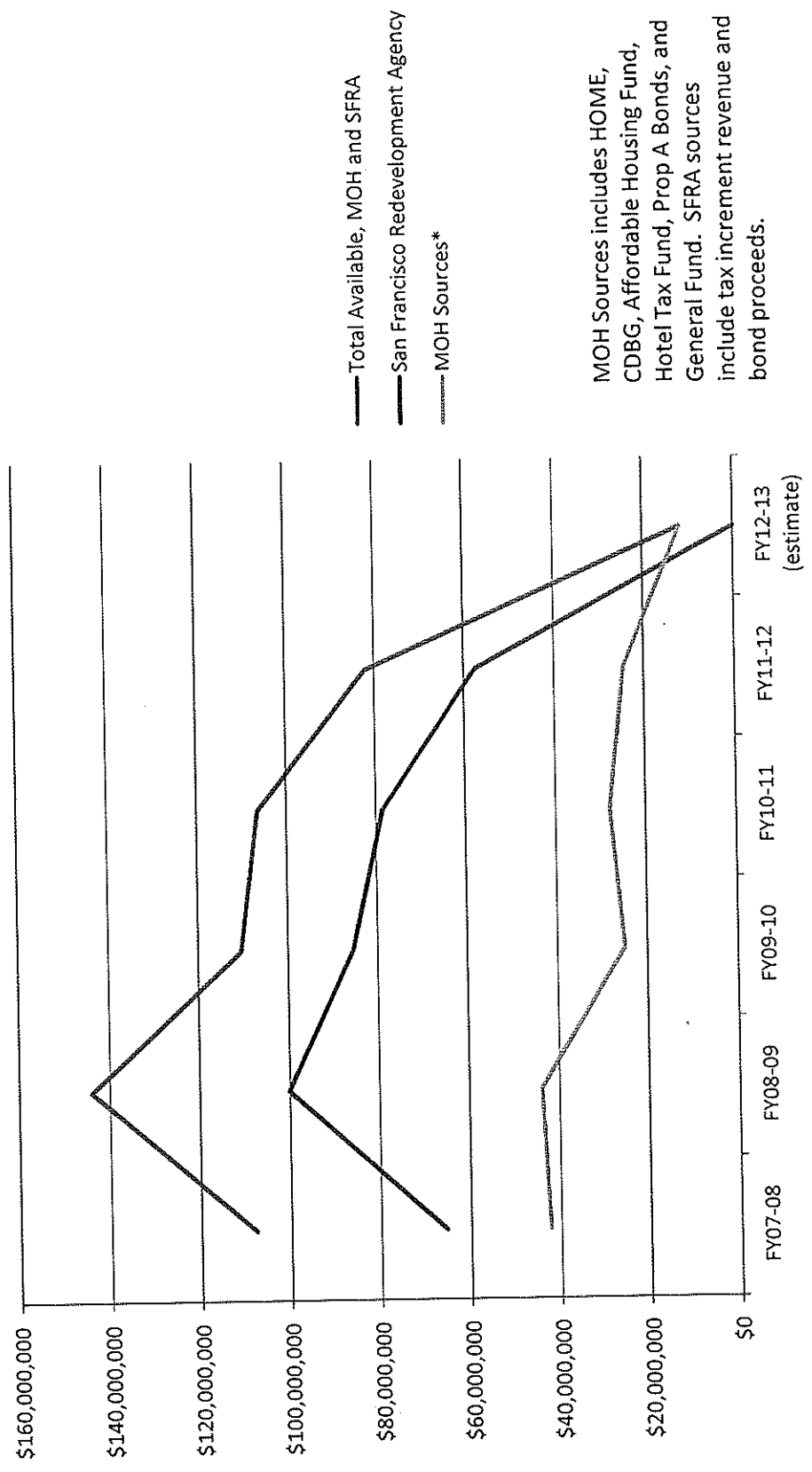
SUMMARY

Revenue	Charter Amendment	Ordinance	Admin Policy
0.2% Increase to transfer tax on properties \$1M and above, OR	General fund revenue capture/ capped at GF growth in year 12	5 to 9 unit exclusion from inclusionary program	Expansion of DALP
Payroll Tax Reform – Gross Receipts Tax	Funding for BMR housing production and programs up to 120% AMI	Citywide onsite BMR “buy up” program (20%)	Housing Stabilization Programs
	Authorize use for complete neighborhoods	Inclusionary “Dial” program	
	Housing obligation reduction and cap	Limited fee deferral 120’ and higher	
	Mayoral Veto		
	30 Year Term		



FUNDING FOR HOUSING

San Francisco Housing Resources, MOH + SFRA, 2007-2012



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Q&A

