

BOARD of SUPERVISORS



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MEMORANDUM

Date: April 23, 2024

To: Tonia Lediju, Chief Executive Officer, Housing Authority
Sarah Dennis-Phillips, Executive Director, Office of Economic and
Workforce Development
Rich Hillis, Director, Planning Department
Daniel Adams, Director, Mayor's Office of Housing and Community
Development

From: *ACG* Angela Calvillo, Clerk of the Board, Board of Supervisors

Subject: Calling for the Housing Authority to Initiate Requests to HUD to Fully
Leverage "Faircloth-to-RAD" Program (File No. 240313)

On April 2, 2024, the Board of Supervisors adopted Resolution No. 174-24, sponsored by Supervisor Dean Preston (File No. 240313, Calling for the Housing Authority to Initiate Requests to HUD to Fully Leverage "Faircloth-to-RAD" Program); enacted on April 12, 2024.

Please find the attached courtesy copy of the Resolution for your office's information and consideration.

If you have any questions or concerns, please contact the Office of the Clerk of the Board at (415) 554-5184.

- c: Members of the Board of Supervisors; Supervisors Dean Preston, Shamann Walton, Connie Chan,
Aaron Peskin, Myrna Melgar, Ahsha Safai, Hillary Ronen
Tom Paulino, Mayor's Liaison to the Board of Supervisors
Andres Power, Mayor's Policy Director
Linda Mason, Housing Authority
Anne Taupier, Office of Economic and Workforce Development
Alesandra Lozano, Office of Economic and Workforce Development
Dan Sider, Planning Department
Corey Teague, Planning Department
Tina Tam, Planning Department
Lisa Gibson, Planning Department
Devyani Jain, Planning Department
Aaron Starr, Planning Department
Josh Switzky, Planning Department
Joy Navarrete, Planning Department
Debra Dwyer, Planning Department
Elizabeth Watty, Planning Department
Lydia Ely, Mayor's Office of Housing and Community Development
Brian Cheu, Mayor's Office of Housing and Community Development
Maria Benjamin, Mayor's Office of Housing and Community Development
Sheila Nickolopoulos, Mayor's Office of Housing and Community Development

1 [Calling for the Housing Authority to Initiate Requests to HUD to Fully Leverage “Faircloth-to-
2 RAD” Program]

3 **Resolution calling for the Housing Authority to fully leverage the “Faircloth-to-RAD”**
4 **option provided by the United States Department of Housing and Urban Development**
5 **(HUD) to create up to 3,668 new deeply affordable rental units with permanent federal**
6 **subsidy in the City and County of San Francisco.**

7
8 WHEREAS, The City and County of San Francisco has a critical shortage of rental
9 housing that is affordable, in particular for low-income households, and according to the City’s
10 recently passed Housing Element, must create over 46,000 affordable units during the eight-
11 year cycle 2023-2031, but has no current plan to achieve that goal in part due to lack of
12 funding; and

13 WHEREAS, The “Faircloth Amendment” adopted in 1998, set a cap on the number of
14 public housing units any public housing authority could own and operate, effectively limiting
15 the number of public housing units for each public housing authority to the number that existed
16 in that jurisdiction in 1999; and

17 WHEREAS, The San Francisco Housing Authority (SFHA) has only 369 public housing
18 units left and the authority under the “Faircloth Limit” as of December 31, 2023, will allow it to
19 create or designate up to 3,668 new deeply affordable rental units in the City; and

20 WHEREAS, United States Department of Housing and Urban Development (HUD) has
21 developed new methods for Public Housing Authorities (PHA) to leverage their existing Public
22 Housing “Faircloth Authority” to create new federally assisted housing by combining the
23 mixed-finance development process with the Rental Assistance Demonstration (RAD); and

24 WHEREAS, “Faircloth-to-RAD” is the process by which Public Housing Authorities
25 (PHA) can create or designate additional HUD-assisted units up to the PHA’s “Faircloth Limit”

1 as established on October 1, 1999, under section 9(g)(3) of the U.S. Housing Act of 1937
2 (Faircloth Amendment), by combining and streamlining HUD's mixed-finance development
3 process described at 24 CFR Part 905, Subpart F, with pre-approval to convert the newly
4 created or designated affordable units to a long-term Section 8 contract under HUD's Rental
5 Assistance Demonstration (RAD); and

6 WHEREAS, HUD introduced the Faircloth-to-RAD option in 2021, and added rent
7 augmentation flexibility for certain jurisdictions, which rent augmentation flexibility is currently
8 set to expire on September 30, 2024; and

9 WHEREAS, Faircloth-to-RAD seeks to make developments more financially attractive
10 and sustainable for non-Moving-to-Work PHAs, such as the SFHA, by allowing such PHAs to
11 increase the initial anticipated contract rents for the newly created affordable units in certain
12 circumstances by augmenting the rents using the PHA's Section 8 voucher reserves, which
13 increased rent is built into the PHA's voucher renewal baseline for the second and
14 subsequent full years after the RAD conversion, and can leverage significantly more funding
15 from other public-private sources for the construction and development of a variety of new
16 affordable and mixed-income rental developments to benefit the residents of the City; and

17 WHEREAS, Under the Faircloth-to-RAD option, SFHA has the Faircloth Authority to
18 create or designate up to 3,668 new deeply affordable rental units in the City which would be
19 subsidized in perpetuity by HUD; and

20 WHEREAS, To exercise the Faircloth-to-RAD option, interested PHAs must submit
21 through HUD's RAD Resource Desk (www.radresource.net) their requests for the Notice of
22 Anticipated RAD Rents (NARR) which initiates the Faircloth-to-RAD application process and
23 allows the PHAs to "reserve" the number of units for which they have submitted their requests
24 for NARR under the "Faircloth Conversion Reservation" option, which does not impose any
25 binding commitment on the PHAs to pursue the proposed developments so "PHAs should feel

1 comfortable requesting a NARR early in the process to determine the feasibility of a potential
2 project;” and

3 WHEREAS, As of September 2023, more than 4,000 units were already in HUD’s
4 “Faircloth-to-RAD” pipeline, including projects by the D.C. Housing Authority, Cambridge
5 Housing Authority in Massachusetts, Philadelphia Housing Authority in Pennsylvania, Chicago
6 Housing Authority in Illinois, and Galveston Texas Housing Authority, and additional
7 “Faircloth-to-RAD” projects had already closed their permanent financing and conversion in
8 Gainesville, Georgia, Baltimore, Maryland, and Miami-Dade, Florida; and

9 WHEREAS, The Housing Authority of the City of Los Angeles with a Faircloth Limit of
10 approximately 1,965 units, has initiated Significant Amendments to its Year 2024 Agency Plan
11 “to use all of its Faircloth Limit authority to cause the creation of new public housing units in
12 multiple projects, and to convert the capital and operating fund assistance from HUD for those
13 units to long-term, project-based Section 8 rental assistance contracts through the Rental
14 Assistance Demonstration, known as the ‘Faircloth-to-RAD’ process”, and also intends to, on
15 or before September 29, 2024, “to exercise its rent setting authorities set forth in Section
16 1.6.B.5.f. of HUD’s Notice H-2019-09 PIH-2019-23 (HA) to set the initial contract rents of the
17 Faircloth-to-RAD units within each project higher than the contract rent that is set forth in the
18 Notice of Anticipated RAD Rents (“NARR”) for that project, up to the contract rent that would
19 be allowed pursuant to the Voucher Payment Standard for the unit based on its bedroom
20 count and location within the City of Los Angeles;” and

21 WHEREAS, The Boston Housing Authority is fully leveraging HUD’s limited-time, rent
22 augmentation flexibility for Faircloth-to-RAD developments to grow their affordable housing
23 units by roughly 3,000 units on city-owned land and in private developments over the next 10
24 years, and has issued a Request For Quotes by developers and owners of new multifamily
25 rental construction or multifamily properties requiring rehabilitation within the City of Boston

1 who are interested in developing public housing units that would in turn be converted to
2 project-based Section 8 via HUD's Rental Assistance Demonstration (RAD) program, to
3 secure permanent and predictable rental operating subsidy," which could "be used as a
4 means to providing additional resources for the development project, achieving deeper
5 affordability in the overall unit mix of the development project;" and

6 WHEREAS, SFHA has not announced its intention to submit a request for Notice of
7 Anticipated RAD rents to initiate the Faircloth-to-RAD option; and

8 WHEREAS, The residents of San Francisco have overwhelmingly and explicitly
9 expressed their support for more low-income rental housing, including publicly-owned
10 housing, by passing, among other measures, Proposition K in 2020, a city ballot measure that
11 authorized 10,000 units of such housing and passed with 73.5% of the vote; and

12 WHEREAS, With respect to the public housing at Plaza East in San Francisco, the San
13 Francisco Board of Supervisors unanimously passed a resolution on June 28, 2022, at the
14 request of Plaza East residents, urging the SFHA to evaluate, as an alternative to its mixed-
15 income redevelopment proposal consisting of 30% of new units at market rates, the
16 "rehabilitation and redevelopment options that result in 100% of the units onsite as affordable
17 housing, including but not limited to an alternative proposal that incorporates Faircloth-to-RAD
18 conversion," and yet nearly two years later, SFHA has not commenced the process of
19 initiating a Faircloth-to-RAD request for Plaza East, even though initiating such a request
20 would only reserve, but not require, substantial federal subsidies for new deeply affordable
21 housing; now, therefore, be it

22 RESOLVED, The San Francisco Board of Supervisors urges the San Francisco
23 Housing Authority to coordinate with appropriate city agencies, including but not limited to the
24 Mayor's Office of Housing and Community Development, the Office of Economic and
25 Workforce Development, and the Planning Department, to promptly explore and leverage the

1 time-limited “Faircloth-to-RAD” rent augmentation option provided by HUD, which expires by
2 September 30, 2024; and, be it

3 FURTHER RESOLVED, That the San Francisco Board of Supervisors urges the San
4 Francisco Housing Authority to coordinate with appropriate city agencies to identify current
5 housing projects and locations that could host new “Faircloth-to-RAD” units, whether owned
6 by SFHA itself, on other publicly owned land, or in private housing developments being
7 planned by nonprofit or for-profit developers, to create up to 3,668 new deeply affordable
8 rental units subsidized in perpetuity by HUD; and, be it

9 FURTHER RESOLVED, That the San Francisco Board of Supervisors urges the San
10 Francisco Housing Authority, in consultation with the Mayor’s Office of Housing and
11 Community Development, the Office of Economic and Workforce Development, and the
12 Planning Department, to prepare and issue a Request for Qualifications or Request for
13 Proposals to allow nonprofit and/or for-profit developers to express their interest in leveraging
14 the Faircloth-to-RAD option to create up to 3,668 new deeply affordable rental units
15 subsidized in perpetuity by HUD; and, be it

16 FURTHER RESOLVED, That the San Francisco Board of Supervisors urges the San
17 Francisco Housing Authority to provide a written report to the San Francisco Board of
18 Supervisors within 30 days of the Resolution passing the Board of Supervisors on its efforts to
19 identify sites, solicit proposals, and initiate the Faircloth-to-RAD application process for new
20 deeply affordable housing units in San Francisco; and, be it

21 FURTHER RESOLVED, That the Clerk of the Board shall transmit a copy of this
22 Resolution to the San Francisco Housing Authority, Office of Economic Workforce
23 Development, the Planning Department and the Mayor’s Office of Housing and Community
24 Development.



City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 240313

Date Passed: April 02, 2024

Resolution calling for the Housing Authority to fully leverage the "Faircloth-to-RAD" option provided by the United States Department of Housing and Urban Development (HUD) to create up to 3,668 new deeply affordable rental units with permanent federal subsidy in the City and County of San Francisco.

April 02, 2024 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

April 02, 2024 Board of Supervisors - ADOPTED AS AMENDED

Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

File No. 240313

I hereby certify that the foregoing Resolution was ADOPTED AS AMENDED on 4/2/2024 by the Board of Supervisors of the City and County of San Francisco.


Angela Calvillo
Clerk of the Board

Unsigned

London N. Breed
Mayor

04/12/2024

Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

04/12/2024

Angela Calvillo
Clerk of the Board

Date

File No. 240313