

File No. 150490

Committee Item No. 1

Board Item No. 41

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date July 8, 2015

Board of Supervisors Meeting

Date July 21, 2015

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER

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Completed by: Linda Wong

Date July 2, 2015

Completed by: Linda Wong

Date July 9, 2015

1 [General Obligation Bond Election - Affordable Housing - Not to Exceed \$310,000,000]

2
3 **Ordinance calling and providing for a special election to be held in the City and County**
4 **of San Francisco (City) on Tuesday, November 3, 2015, for the purpose of submitting to**
5 **San Francisco voters a proposition to incur the following bonded indebtedness**
6 **(Bonds) of the City: not to exceed \$310,000,000 to finance the construction, acquisition,**
7 **improvement, rehabilitation, preservation and repair of affordable housing**
8 **improvements, and related costs necessary or convenient for the foregoing purposes;**
9 **authorizing landlords to pass-through 50% of the resulting property tax increase to**
10 **residential tenants under Administrative Code Chapter 37; providing for the levy and**
11 **collection of taxes to pay both principal and interest on such Bonds; incorporating the**
12 **provisions of the Administrative Code relating to the Citizens' General Obligation Bond**
13 **Oversight Committee's review of the Bonds; setting certain procedures and**
14 **requirements for the election; adopting findings under the California Environmental**
15 **Quality Act; and finding that the proposed Bonds are in conformity with the General**
16 **Plan, and with the eight priority policies of Planning Code, Section 101.1(b).**

17 Note: Additions are *single-underline italics Times New Roman*;
18 deletions are *strikethrough italics Times New Roman*.
19 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

20 Be it ordained by the People of the City and County of San Francisco:

21 Section 1. Findings.

22 A. The City has the highest median rent in the country with a one-bedroom asking
23 rent of \$3,460, according to rental listing site Zumper.

1 B. The City continues to be one of the highest-priced ownership markets in the
2 country with a median home sales price of \$1.1 million, a 19.4% increase from the previous
3 year, according to the real estate website Trulia.

4 C. The Mayor's Office of Housing and Community Development continues to see a
5 widening affordability gap for low to moderate income households for both rental and
6 homeownership.

7 D. Limited state and federal resources and the high cost of housing development
8 puts a greater burden on local government to contribute their own limited resources, and thus
9 means that the City's supply of affordable housing has not kept pace with demand.

10 E. Limited local funding for affordable housing can leverage federal, state and
11 private investment at a 3:1 rate.

12 F. The affordability gap has the greatest impact on low-income households such as
13 seniors, disabled persons, low-income working families, and veterans.

14 G. The housing need in the City is also particularly acute for moderate-income
15 households, for whom there are no federal or state financing programs that the City can
16 leverage with its own subsidies.

17 H. After federal sequestration took effect on March 1, 2013, the U.S. Congress
18 slashed the US Department of Housing and Urban Development's contribution to the San
19 Francisco Housing Authority (Housing Authority) from 92% to 82% of what it costs to operate
20 public housing, and its Section 8 housing voucher program from 94% to 72% of operating
21 costs.

22 I. The average annual household income for Housing Authority residents and
23 voucher-holders is \$15,858.

24 J. The housing affordability gap that has arisen and expanded in the local housing
5 market inhibits the City from ensuring that economic diversity can be maintained.

1 K. These high housing costs can inhibit healthy, balanced economic growth
2 regionally.

3 L. Individuals and families who are increasingly locked out of the local housing
4 market will be forced to leave the City and take on increasingly long employment commutes.

5 M. The Bonds will provide a portion of the funding necessary to construct, acquire,
6 improve, rehabilitate, preserve and repair affordable housing in the City (as further defined in
7 Section 3 below).

8 Section 2. A special election is called and ordered to be held in the City on Tuesday,
9 the 3rd day of November, 2015, for the purpose of submitting to the electors of the City a
10 proposition to incur bonded indebtedness of the City for the project described in the amount
11 and for the purposes stated:

12 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. \$310,000,000 to construct,
13 develop, acquire, and preserve housing affordable to low- and middle-income households
14 through programs that will prioritize vulnerable populations such as San Francisco's working
15 families, veterans, seniors, and disabled persons; to assist in the acquisition, rehabilitation,
16 and preservation of affordable rental apartment buildings to prevent the eviction of long-term
17 residents; to repair and reconstruct dilapidated public housing, to fund a middle-income rental
18 program; and to provide for homeownership down payment assistance opportunities for
19 educators and middle-income households; all subject to independent citizen oversight and
20 regular audits; and authorizing landlords to pass-through to residential tenants in units subject
21 to Administrative Code Chapter 37 (the "Residential Stabilization and Arbitration Ordinance")
22 50% of the increase in the real property taxes attributable to the cost of the repayment of such
23 Bonds."

24 The special election called and ordered to be held hereby shall be referred to in this
25 ordinance as the "Bond Special Election."

1 Section 3. PROPOSED PROGRAM. Contractors and City departments shall
2 comply with all applicable City laws when awarding contracts or performing work funded with
3 the proceeds of Bonds authorized by this measure.

4 A. CITIZENS' OVERSIGHT COMMITTEE. A portion of the Bonds shall be used to
5 perform audits of the Bonds, as further described in Section 15.

6 B. CONSTRUCT, DEVELOP AND REHABILITATE AFFORDABLE RENTAL
7 HOUSING. A portion of the Bonds may be allocated to finance the development, construction,
8 preservation and rehabilitation of affordable rental housing near established transit corridors
9 or within priority development areas.

10 C. ACQUIRE EXISTING RENTAL HOUSING AS AFFORDABLE HOUSING. A
11 portion of the Bonds may be allocated to acquire, rehabilitate, and preserve existing rental
12 housing in order to prevent the loss of rental housing stock and the displacement of long-time
13 residents of the City.

14 D. REPAIR AND RECONSTRUCT DILAPIDATED PUBLIC HOUSING. A portion of
15 the Bonds may be allocated to repair and reconstruct dilapidated public housing
16 developments or provide infrastructure improvements that allow for the repair or improvement
17 of public housing sites.

18 E. CREATE A MIDDLE INCOME RENTAL HOUSING PROGRAM. A portion of the
19 Bonds may be allocated to fund middle income rental housing units.

20 F. CREATE A MIDDLE INCOME HOME OWNERSHIP PROGRAM. A portion of
21 the Bonds may be allocated to assist City residents acquiring their first home in the City.

22 G. RENEW THE TEACHER NEXT DOOR PROGRAM. A portion of the Bonds may
23 be allocated to assist educators in purchasing their first home in the City.

24 H. ACQUIRE, PRESERVE, DEVELOP AFFORDABLE HOUSING IN THE
5 MISSION AREA PLAN. A portion of the Bonds may be allocated to acquire, rehabilitate,

1 preserve, construct and/or develop for affordable housing in the Mission Area Plan, as such
2 plan is described below, real property, existing affordable housing, and/or new affordable
3 housing. The Mission Area Plan, a part of the City's General Plan, was adopted by the Board
4 on December 9, 2008 pursuant to Ordinance No. 297-08 and approved by the Mayor on
5 December 19, 2008.

6 Section 4. BOND ACCOUNTABILITY MEASURES.

7 The Bonds shall include the following administrative rules and principles:

8 A. OVERSIGHT. The proposed Bond funds shall be subjected to approval
9 processes and rules described in the San Francisco Charter and Administrative Code.

10 Pursuant to Administrative Code Section 5.31, the Citizens' General Obligation Bond
11 Oversight Committee shall conduct an annual review of Bond spending, and shall provide an
12 annual report of the Bond program to the Mayor of the City (Mayor) and the Board.

13 B. TRANSPARENCY. The City shall create and maintain a Web page outlining and
14 describing the bond program, progress, and activity updates. The City shall also hold an
15 annual public hearing and reviews on the bond program and its implementation before the
16 Capital Planning Committee and the Citizen's General Obligation Bond Oversight Committee.

17 Section 5. The estimated cost of the bond financed portion of the project described
18 in Section 2 above was fixed by the Board by the following resolution and in the amount
19 specified below:

20 Resolution No. _____, \$310,000,000.

21 Such resolution was passed by two-thirds or more of the Board and approved by the
22 Mayor. In such resolution it was recited and found by the Board that the sum of money
23 specified is too great to be paid out of the ordinary annual income and revenue of the City in
24 addition to the other annual expenses or other funds derived from taxes levied for those
25

1 purposes and will require expenditures greater than the amount allowed by the annual tax
2 levy.

3 The method and manner of payment of the estimated costs described in this ordinance
4 are by the issuance of Bonds of the City not exceeding the principal amount specified.

5 Such estimate of costs as set forth in such resolution is adopted and determined to be
6 the estimated cost of such bond financed improvements and financing, respectively.

7 Section 6. The Bond Special Election shall be held and conducted and the votes
8 received and canvassed, and the returns made and the results ascertained, determined and
9 declared as provided in this ordinance and in all particulars not recited in this ordinance such
10 election shall be held according to the laws of the State of California (State) and the Charter of
11 the City (Charter) and any regulations adopted under State law or the Charter, providing for
and governing elections in the City, and the polls for such election shall be and remain open
13 during the time required by such laws and regulations.

14 Section 7. The Bond Special Election is consolidated with the General Election
15 scheduled to be held in the City on Tuesday, November 3, 2015 (General Election). The
16 voting precincts, polling places and officers of election for the General Election are hereby
17 adopted, established, designated and named, respectively, as the voting precincts, polling
18 places and officers of election for the Bond Special Election called, and reference is made to
19 the notice of election setting forth the voting precincts, polling places and officers of election
20 for the General Election by the Director of Elections to be published in the official newspaper
21 of the City on the date required under the laws of the State.

22 Section 8. The ballots to be used at the Bond Special Election shall be the ballots to
23 be used at the General Election. The word limit for ballot propositions imposed by Municipal
24 Elections Code Section 510 is waived. On the ballots to be used at the Bond Special

1 Election, in addition to any other matter required by law to be printed thereon, shall appear the
2 following as a separate proposition:

3 "SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction,
4 development, acquisition, and preservation of housing affordable to low- and middle-income
5 households through programs that will prioritize vulnerable populations such as San
6 Francisco's working families, veterans, seniors, disabled persons; to assist in the acquisition,
7 rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction
8 of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-
9 income rental program; and to provide for homeownership down payment assistance
10 opportunities for educators and middle-income households; shall the City and County of San
11 Francisco issue \$310 million in general obligation bonds, subject to independent citizen
12 oversight and regular audits?"

13 Each voter to vote in favor of the foregoing bond proposition shall mark the ballot in the
14 location corresponding to a "YES" vote for the proposition, and to vote against the proposition
15 shall mark the ballot in the location corresponding to a "NO" vote for the proposition.

16 Section 9. If at the Bond Special Election it shall appear that two-thirds of all the
17 voters voting on the proposition voted in favor of and authorized the incurring of bonded
18 indebtedness for the purposes set forth in such proposition, then such proposition shall have
19 been accepted by the electors, and the Bonds authorized shall be issued upon the order of
20 the Board. Such Bonds shall bear interest at a rate not exceeding that permitted by law.

21 The votes cast for and against the proposition shall be counted separately and when
22 two-thirds of the qualified electors, voting on the proposition, vote in favor, the proposition
23 shall be deemed adopted.

24 Section 10. For the purpose of paying the principal and interest on the Bonds, the
25 Board shall, at the time of fixing the general tax levy and in the manner for such general tax

1 levy provided, levy and collect annually each year until such Bonds are paid, or until there is a
2 sum in the Treasury of the City, or other account held on behalf of the Treasurer of the City,
3 set apart for that purpose to meet all sums coming due for the principal and interest on the
4 Bonds, a tax sufficient to pay the annual interest on such Bonds as the same becomes due
5 and also such part of the principal thereof as shall become due before the proceeds of a tax
6 levied at the time for making the next general tax levy can be made available for the payment
7 of such principal.

8 Section 11. This ordinance shall be published in accordance with any State law
9 requirements, and such publication shall constitute notice of the Bond Special Election and no
10 other notice of the Bond Special Election hereby called need be given.

11 Section 12. The Board, having reviewed the proposed legislation, makes the following
12 findings in compliance with the California Environmental Quality Act ("CEQA"), California
13 Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative
14 Code Sections 15000 et seq., ("CEQA Guidelines"), and San Francisco Administrative Code
15 Chapter 31 ("Chapter 31"): The Environmental Review Officer determined that this legislation
16 is not defined as a project subject to CEQA because it is a funding mechanism involving no
17 commitment to any specific projects at any specific locations, as set forth in CEQA Guidelines
18 Section 15378.

19 Section 13. The Board finds and declares that the proposed Bonds (i) were referred
20 to the Planning Department in accordance with Section 4.105 of the San Francisco Charter
21 and Section 2A.53(f) of the Administrative Code, (ii) are in conformity with the priority policies
22 of Section 101.1(b) of the San Francisco Planning Code, and (iii) are consistent with the City's
23 General Plan, and adopts the findings of the Planning Department, as set forth in the General
24 Plan Referral Report dated May 11, 2015, a copy of which is on file with the Clerk of the
5 Board in File No. 150490 and incorporates such findings by this reference.

1 Section 14. Under Section 53410 of the California Government Code, the Bonds shall
2 be for the specific purpose authorized in this ordinance and the proceeds of such Bonds will
3 be applied only for such specific purpose. The City will comply with the requirements of
4 Sections 53410(c) and 53410(d) of the California Government Code.

5 Section 15. The Bonds are subject to, and incorporate by reference, the applicable
6 provisions of Administrative Code Sections 5.30 – 5.36 (the "Citizens' General Obligation
7 Bond Oversight Committee"). Under Administrative Code Section 5.31, to the extent permitted
8 by law, one-tenth of one percent (0.1%) of the gross proceeds of the Bonds shall be deposited
9 in a fund established by the Controller's Office and appropriated by the Board of Supervisors
10 at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the
11 costs of such committee.

12 Section 16. The time requirements specified in Administrative Code Section 2.34 are
13 waived.

14 Section 17. The City hereby declares its official intent to reimburse prior expenditures
15 of the City incurred or expected to be incurred prior to the issuance and sale of any series of
16 the Bonds in connection with the Project. The Board hereby declares the City's intent to
17 reimburse the City with the proceeds of the Bonds for expenditures with respect to the Project
18 (the "Expenditures" and each, an "Expenditure") made on and after that date that is no more
19 than 60 days prior to the passage of this Ordinance. The City reasonably expects on the date
20 hereof that it will reimburse the Expenditures with the proceeds of the Bonds.

21 Each Expenditure was and will be either (a) of a type properly chargeable to a
22 capital account under general federal income tax principles (determined in each case as of
23 the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a
24 nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a
25 party that is not related to or an agent of the City so long as such grant does not impose any

1 obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the
2 City. The maximum aggregate principal amount of the Bonds expected to be issued for the
3 Project is \$310,000,000. The City shall make a reimbursement allocation, which is a written
4 allocation by the City that evidences the City's use of proceeds of the applicable series of
5 Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on
6 which the Expenditure is paid or the related portion of the Project is placed in service or
7 abandoned, but in no event more than three years after the date on which the Expenditure is
8 paid. The City recognizes that exceptions are available for certain "preliminary expenditures,"
9 costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the
10 year of issuance and not the year of expenditure) and Expenditures for construction projects
11 of at least 5 years.

? Section 18. The appropriate officers, employees, representatives and agents of the
13 City are hereby authorized and directed to do everything necessary or desirable to accomplish
14 the calling and holding of the Bond Special Election, and to otherwise carry out the provisions
15 of this ordinance.

16 APPROVED AS TO FORM:
17 DENNIS J. HERRERA,
City Attorney

18
19 By: Kenneth David Roux
20 Kenneth David Roux
Deputy City Attorney

21 n:\legana\as2015\1500660\01026205.docx

AMENDED IN COMMITTEE

6/24/15

FILE NO. 150490

LEGISLATIVE DIGEST

[General Obligation Bond Election - Affordable Housing - Not to Exceed \$310,000,000.]

Ordinance calling and providing for a special election to be held in the City and County of San Francisco (City) on Tuesday, November 3, 2015, for the purpose of submitting to San Francisco voters a proposition to incur the following bonded indebtedness (Bonds) of the City: not to exceed \$310,000,000 to finance the construction, acquisition, improvement, rehabilitation, preservation and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act; and finding that the proposed Bonds are in conformity with the General Plan, and with the eight priority policies of Planning Code, Section 101.1(b).

Existing Law

General Obligation Bonds of the City and County of San Francisco may be issued only with the assent of two-thirds of the voters voting on the proposition.

Ballot Proposition

This ordinance authorizes the following ballot proposition to be placed on the November 3, 2015 ballot:

SAN FRANCISCO AFFORDABLE HOUSING BONDS. To finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households; shall the City and County of San Francisco issue \$310 million in general obligation bonds, subject to independent citizen oversight and regular audits?

The ordinance fixes the maximum rate of interest on the Bonds, and provides for a levy and a collection of taxes to repay both the principal and interest on the Bonds. The ordinance also describes the manner in which the Bond Special Election will be held, and the ordinance provides for compliance with applicable state and local laws.

AMENDED IN COMMITTEE
6/24/15

FILE NO. 150490

Background Information

The Board of Supervisors found that the amount of money specified for this project is and will be too great to be paid out of the ordinary annual income and revenue of the City, and will require expenditures greater than the amount allowed therefor by the annual tax levy.



SAN FRANCISCO PLANNING DEPARTMENT

General Plan Referral

Date: May 11, 2015

Case 2015-005679GPR

Block/Lot No.: Various, Citywide

Project Sponsor: Mayor's Office of Housing
1 South Van Ness Avenue
San Francisco, CA 94103

Staff Contact: Menaka Mohan – (415) 575-9141
menaka.mohan@sfgov.org

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

Recommendation: Finding the proposed General Obligation Bond, on balance, in conformity with the General Plan.

Recommended
By: 
John Rahaim, Director of Planning

PROJECT DESCRIPTION

The City and County of San Francisco is proposing a \$250 million General Obligation Bond for the November 2015 ballot. The purpose of the Bond is to provide funding for the affordable housing, speed and complete the rebuilding of public housing, protect existing residents in rent-controlled housing, and expand rental and homeownership opportunities for San Francisco's workforce including first responders, educators, non-profit workers, and service employees.

The \$250 million general obligation bond acknowledges the City's well-documented affordability gap for both rental and ownership housing across a range of income levels and the capital investment in housing made possible by the GO bond will help stabilize existing neighborhoods and increase the livability of our city.

The 2015 Affordable Housing General Obligation Bond proposes three categories of investments, each of which supports a range of incomes.

Table 1: Program Categories and Funding Ranges for the 2015 General Obligation Bond

Program Categories	General Obligation Fund
Public Housing	\$50-\$100 million
Affordable Housing (up to 80% AMI)	\$100-\$150 million
Middle-Income Housing (80% AMI and above)	\$50-\$100 million

Individual projects funded by the bond program will require additional project level General Plan Referral and Environmental Reviews as they are identified.

ENVIRONMENTAL REVIEW

Not a project under CEQA Guidelines Sections 15060(c) and 15378 because there is no direct or indirect physical change in the environment.

GENERAL PLAN COMPLIANCE AND BASIS FOR RECOMMENDATION

The proposed Bond to fund Affordable Housing is, on balance, in conformity with the General Plan, as described in the body of this Report. If the Bond is approved and funds for affordable housing become available, some projects may require project-level General Plan referrals, as required by San Francisco Charter §4.105 and § 2A.53 of the Administrative Code, Environmental Review and/or other discretionary actions by the Planning Department.

Note: General Plan Objectives are shown in **BOLD UPPER CASE** font; Policies are in **Bold** font; staff comments are in *italic* font.

HOUSING ELEMENT

OBJECTIVE 1

IDENTIFY AND MAKE AVAILABLE FOR DEVELOPMENT ADEQUATE SITES TO MEET THE CITY'S HOUSING NEEDS, ESPECIALLY PERMANENTLY AFFORDABLE HOUSING.

POLICY 1.1

Plan for the full range of housing needs in the City and County of San Francisco, especially affordable housing.

POLICY 1.10

Support new housing projects, especially affordable housing, where households can easily rely on public transportation, walking and bicycling for the majority of daily trips.

Comment: The Bond focuses on building and maintaining San Francisco's affordable housing stock and would provide additional funds to construct and rehabilitate public housing as well as locating new affordable housing near transit.

OBJECTIVE 2

RETAIN EXISTING HOUSING UNITS, AND PROMOTE SAFETY AND MAINTENANCE STANDARDS, WITHOUT JEOPARDIZING AFFORDABILITY.

POLICY 2.4

Promote improvements and continued maintenance to existing units to ensure long term habitation and safety

Comment: The proposed Bond, if approved, would provide resources to maintain existing affordable housing units including rental units and to stabilize existing neighborhoods.

OBJECTIVE 4

FOSTER A HOUSING STOCK THAT MEETS THE NEEDS OF ALL RESIDENTS ACROSS LIFECYCLES.

POLICY 4.4

Encourage sufficient and suitable rental housing opportunities, emphasizing permanently affordable rental units wherever possible.

Comment: The proposed Bond if approved may acquire existing rental housing as affordable housing and preserve existing rental housing in order to prevent the loss of rental housing stock.

OBJECTIVE 7

SECURE FUNDING AND RESOURCES FOR PERMANENTLY AFFORDABLE HOUSING, INCLUDING INNOVATIVE PROGRAMS THAT ARE NOT SOLELY RELIANT ON TRADITIONAL MECHANISMS OR CAPITAL.

POLICY 7.1

Expand the financial resources available for permanently affordable housing, especially permanent sources.

POLICY 7.3

Recognize the importance of funds for operations, maintenance and services to the success of affordable housing programs

POLICY 7.6

Acquire and rehabilitate existing housing to maximize effective use of affordable housing resources.

POLICY 7.8

Develop, promote, and improve ownership models which enable households to achieve homeownership within their means, such as down-payment assistance, and limited equity cooperatives.

GENERAL PLAN REFERRAL

Comment: The proposed Bond, if approved, would provide funding to maintain and preserve existing affordable housing, acquire and construct new affordable units and promote homeownership for first time homeowners in San Francisco.

OBJECTIVE 8

BUILD PUBLIC AND PRIVATE SECTOR CAPACITY TO SUPPORT, FACILITATE, PROVIDE AND MAINTAIN AFFORDABLE HOUSING

POLICY 8.1

Support the production and management of permanently affordable housing.

POLICY 8.2

Encourage employers located within San Francisco to work together to develop and advocate for housing appropriate for employees.

Comment: If the Bond is approved, it will create new affordable housing units, speed the rehabilitation and reconstruction of public housing, protect existing residents in rent-controlled housing and expand rental and homeownership opportunities.

RECOMMENDATION: Finding the General Obligation Bond, on balance, in-conformity with the General Plan

If approved, the following types of projects funded by the Bond should be referred to the Planning Department to determine whether they require separate General Plan referral(s), pursuant to Section 4.105 of the Charter and Sections 2A.52 and 2A.53 of the Administrative Code or other authorization:

- Demolition of buildings / structures
- Construction of new buildings / structures
- Additions to existing structures (enlargement)

PROPOSITION M FINDINGS – PLANNING CODE SECTION 101.1

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project, the proposed \$250,000,00 General Obligation Bond for Transportation Improvements, proposed to be placed on the November 2014 ballot, is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

Eight Priority Policies Findings

The subject project is found to be consistent with the Eight Priority Policies of Planning Code Section 101.1 in that:

The proposed project is found to be consistent with the eight priority policies of Planning Code Section 101.1 in that:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced.

The project will not displace or restrict access to any existing neighborhood-serving or restrict future opportunities.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhood.

The project will enhance the economic diversity of our neighborhoods by increasing the production of affordable housing at a range of income levels, as well as preserving existing affordable rental housing.

3. That the City's supply of affordable housing be preserved and enhanced.

The project will directly support the preservation and enhancement of the City's supply of affordable housing. The purpose of the bond is to create new affordable housing units, speed and complete the rebuilding of public housing, protect existing residents in rent-controlled housing, and expand rental and homeownership opportunities for our city's workforce.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood parking.

The proposed project will not impede Muni transit service, nor overburden our streets or neighborhood parking.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for residential employment and ownership in these sectors be enhanced.

The project will not displace any individual businesses.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake.

The proposed project will not hinder earthquake preparedness efforts. Further, any new construction supported by proceeds from the Bond will be up to current seismic and safety codes and standards.

7. That landmarks and historic buildings be preserved.

The project would not have an adverse effect on landmarks or historic buildings. No specific projects have been identified and the Bond is a financing mechanism for future improvements.

8. That our parks and open space and their access to sunlight and vistas be protected from development.

The project will not impact parks and open spaces.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *NW*
RE: General Obligation Bond Election - Affordable Housing
DATE: May 12, 2015

Attached for introduction to the Board of Supervisors is an ordinance calling and providing for a special election to be held in the City and County of San Francisco (City) on Tuesday, November 3, 2015, for the purpose of submitting to San Francisco voters a proposition to incur the following bonded indebtedness (Bonds) of the City: \$250,000,000 to finance the construction, acquisition, improvement, rehabilitation, preservation and repair of affordable housing improvements, and related costs necessary or convenient for the foregoing purposes; authorizing landlords to pass-through 50% of the resulting property tax increase to residential tenants under Administrative Code Chapter 37; providing for the levy and collection of taxes to pay both principal and interest on such Bonds; incorporating the provisions of the Administrative Code relating to the Citizens' General Obligation Bond Oversight Committee's review of the Bonds; setting certain procedures and requirements for the election; adopting findings under the California Environmental Quality Act (CEQA); and finding that the proposed Bonds are in conformity with the priority policies of Planning Code, Section 101.1(b), and with the General Plan.

Please note this item is co-sponsored by Supervisors Breed, Christensen, Cohen, Farrell, Tang, and Wiener.

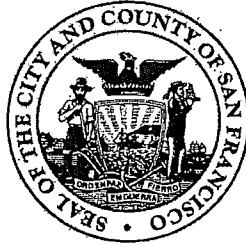
I respectfully request that this item be calendared in Budget & Finance Committee on June 24th, 2015.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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President, District 5
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City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

London Breed

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PRESIDENTIAL ACTION

Date: 6/4/15
To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)
File No. 150490 Breed
(Primary Sponsor)
Title. Affordable Housing - Not to Exceed \$250,000

Transferring (Board Rule No. 3.3)
File No. _____
(Primary Sponsor)
Title. _____
From: _____ Committee
To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)
Supervisor _____
Replacing Supervisor _____
For: _____ Meeting
(Date) (Committee)

London Breed, President
Board of Supervisors

Wong, Linda (BOS)

From: Caldeira, Rick (BOS)
Sent: Thursday, June 18, 2015 1:31 PM
To: Wong, Linda (BOS)
Subject: FW: File 150490 FW: Mayor's Housing Bond and City Budget

For file.

From: Board of Supervisors, (BOS)
Sent: Thursday, June 18, 2015 11:24 AM
To: BOS-Supervisors; Wong, Linda (BOS); Caldeira, Rick (BOS)
Subject: File 150490 FW: Mayor's Housing Bond and City Budget

From: Marco Montenegro [<mailto:mmontenegro@bhnc.org>]
Sent: Thursday, June 18, 2015 11:01 AM
To: Board of Supervisors, (BOS)
Subject: Mayor's Housing Bond and City Budget

Dear Board of Supervisors,

I am writing you to request that you strongly consider amending Mayor Lee's Housing Bond proposal.

In 2002 I was the field organizer for San Francisco's Proposition B, a \$250,000,000 affordable housing bond; % of the bond was to create rental housing through new construction or rehabilitation of apartments and 25% was to be used for down payment assistance for first-time home buyers.

SPUR estimated that if passed, the program would produce 3,700 rental units and as many as 1,000 down payment assistance loans. In 2002, through a sampling of recent market-rate projects, SPUR estimated an average per unit cost of \$325,000. That was 13 years ago and over that time we've seen a dramatic increase in land values and other housing costs, and the dissolution of the redevelopment agency.

Therefore, today's rising housing costs requires a greater investment than the proposed \$250,000,000 housing bond. A greater investment means an opportunity to produce enough units to give our families a fair chance at staying in the city where they live, work, worship, are raising their families, and go to school. *I urge you to consider increasing the amount of the Mayor's housing bond proposal.*

Thank you,

--

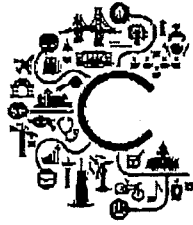
Marco A. Montenegro
Excelsior Community Hub Program Manager
Excelsior Community Center
4468 Mission Street
San Francisco, CA 94112

Phone: (415) 990-4012
mmontenegro@bhnc.org

BOS-11, B+F Clerk

Leg Dep. COB

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SAN FRANCISCO CHAMBER OF COMMERCE

June 15, 2015

Supervisor London Breed, President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, #244
San Francisco, CA 94102

RE: SUPPORT #150490: General Obligation Bond Election – Affordable Housing – Not to Exceed \$250,000,000 (amended to \$300,000,000)

Dear Supervisor Breed,

The San Francisco Chamber of Commerce, representing over 1,500 local businesses with 200,000 employees, urges you and the Board of Supervisors to support Mayor Ed Lee's San Francisco Affordable Housing Bond proposed for the November 2015 ballot. This \$300 million bond will pay for construction, development, acquisition and preservation of housing affordable to low- and middle-income households through programs that prioritize San Francisco's working families, veterans, seniors, and disabled persons.

This bond issue will provide funding for the reconstruction of public housing, accelerate construction of new affordable units, acquire existing rent controlled buildings and increase middle income loan programs. Our understanding is that, as part of the City's rolling ten year capital plan, at the \$300 million level, approval of this General Obligation bond will not result in an increase in the City's \$1.17 property tax rate.

Supervisor John Avalos's proposed \$500 million housing bond as currently written will require raising property taxes to repay the bonds, while the cost of the Mayor's bond will not require raising property taxes.

Given the challenge of keeping San Francisco homeowners in their homes, the impact of raising property taxes would only exacerbate the housing affordability issues we are grappling with. In recent years San Francisco has successfully approved bond issues because the well thought out capital plan has assured voters that property tax rates will remain steady. Any proposed bond issue that breaks this covenant with the voters puts at risk the passage of future bonds.

The San Francisco Chamber of Commerce urges you to approve the Mayor's \$300 million housing bond as the only housing bond on the November ballot.

Sincerely,

Jim Lazarus
Senior Vice President of Public Policy

cc: Clerk of the Board, to be distributed to all Supervisors; Mayor Ed Lee

*Filed 150490
Received in Committee*



**San Francisco 2015 Affordable Housing
General Obligation Bond
Budget and Finance Subcommittee**

Addressing our Housing Needs

SAN FRANCISCO

July 8, 2015

CITY AND COUNTY OF
MAYOR EDWIN M. LEE

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	108	55	53	55	271
Tax Increment (OCII)	164	211	157	62	594
Fees Paid By Developers	277	70	113	60	519
Federal/State/Other Sources	117	46	32	32	226
Totals	862	561	582	476	2,479

778



AFFORDABLE HOUSING GO BOND WORKING GROUP RECOMMENDATIONS

Use bond funds for three general categories of housing needs:

- *Public Housing*
- *Low-Income Housing*
- *Middle-Income Housing*



HOUSING BOND SPENDING PROPOSAL

PUBLIC HOUSING:	
Accelerate Sunnydale	Accelerate HOPE SF housing and infrastructure long-term development programs
Accelerate Potrero	Up to 80% AMI; Likely 30% AMI or less
Subtotal	\$80 million
MISSION AFFORDABLE HOUSING:	
Site acquisition, unit rehab, and predev	Site acquisition, unit rehab, and predevelopment
Subtotal	Up to 120% AMI; likely 50% AMI or 80% AMI targets \$50 million
LOW-INCOME HOUSING:	
New Construction	New construction and acquisition/preservation of existing rental housing; focus is low-income families, veterans, seniors Up to 60% AMI
Preservation of Existing Rental Housing	Target 80% AMI, Up to 120% AMI
Subtotal	\$100 million
MIDDLE-INCOME HOUSING:	
DALP Loan Expansion	Educators, Middle-Class Families Up to 175% AMI
Teacher Next Door	Up to 200% AMI
Middle-Income Rental Program	Between 80-150% AMI
Expiring Regulations Preservation	Up to 120% AMI
Subtotal	\$80 million
GRAND TOTAL	\$310 million

780



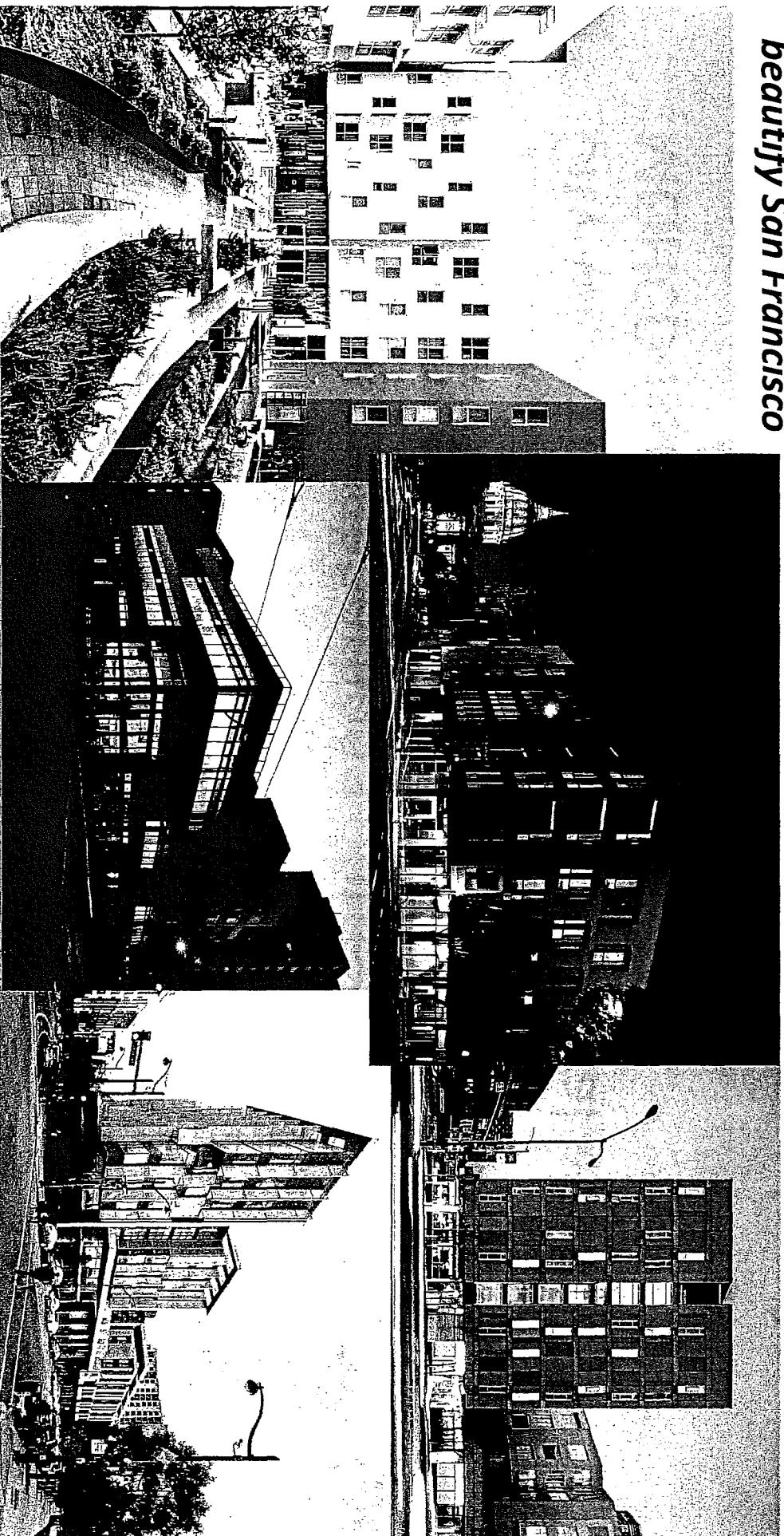
HOUSING PRODUCTION ACCOUNTABILITY

- Quarterly Reports on achievement of housing production goals to BOS;
- Extensive neighborhood outreach to community groups for every project;
- City-wide Loan Committee approval of all MOHCD-issued loans;
- BOS approvals on all housing revenue bond issuances for individual projects.



2015 AFFORDABLE HOUSING GO BOND

With your support and the approval of San Francisco voters, MOHCD will help create new, high-quality, affordable developments that will strengthen and beautify San Francisco



MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT





Received in Committee
7/8/15
EDWIN M. LEE
MAYOR

2015 \$310 Million Affordable Housing General Obligation Bond Report

EXECUTIVE SUMMARY

Mayor Edwin Lee has made creating and preserving housing affordable to a wide range of San Franciscans a key focus of his administration. City residents have consistently shown strong support for these measures, including the voter-approved Housing Trust Fund (2012) and Proposition K (2014), the Mayor's 7-Point Housing Plan (2014), and the Re-envisioning of Public Housing (2013). In 2015, San Franciscans will have an opportunity to direct more resources to these vital efforts by passing a funding measure that specifically addresses a broad range of housing needs.

The measure, a \$310 million General Obligation Bond, will create new affordable housing units, speed up the rebuilding of public housing, protect existing residents in rent-controlled housing, and expand rental and homeownership opportunities for our city's workforce, including first responders, educators, non-profit workers, and service employees. Acknowledging the City's well documented affordability gap for both rental and ownership housing across a range of income levels,¹ the capital investment in housing made possible by the 2015 Housing Bond will help to stabilize existing neighborhoods and increase the livability of our city. Increasing access to safe and affordable housing will, in turn, promote diversity, social equity, and economic vitality – cornerstones that support our thriving city.

The 2015 Affordable Housing Bond proposes four categories of investments, each of which supports a range of incomes:

- Public housing;
- Low-income housing; and,
- Middle-income housing; and,
- Targeted affordable housing investments based on the Mission Action Plan.

Table 1: Program Categories and Funding Ranges for the 2015 \$310 Million General Obligation Affordable Housing Bond

Program Categories	GO Bond
Public Housing	\$80 million
Affordable Housing (up to 80% AMI)	\$100 million
Middle-Income Housing (80% AMI and above)	\$80 million
Mission Area Plan	\$50 million
Total	\$310 million

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¹ The 2014 Housing Inventory Report is available online at: http://www.sf-planning.org/ftp/files/publications_reports/Housing_Inventory_2013.pdf (April 16, 2015).

The 2015 Affordable Housing Bond will relieve pressure by:

- Investing in neighborhoods;
- Developing and acquiring housing for a broad population, from families to seniors; transitional-aged youth to single working adults; and veterans to disabled households; and,
- Meeting the need through a range of activities, including new multi-family construction, acquisition of existing apartment buildings, SRO rehabilitations, and all other efforts that will effectively increase the affordable housing supply.

The 2015 Affordable Housing Bond was developed within the framework of the City's Capital Plan, and will not result in higher property taxes. Because of the importance of fiscal stewardship and in order to keep borrowing costs low, the City has adopted strict constraints in its Capital Plan on the use of long-term debt financing in order to avoid placing an increased burden of property tax on future generations. For this reason, voter-approved GO bonds like the 2015 Affordable Housing Bond are only proposed in cycles that are dependent on the City's retirement of existing debt and growth of the property tax base. This fiscal restraint creates an opportunity to issue the 2015 Housing Bond without any increase to property taxes.

The City's Capital Plan places an emphasis on accountability and transparency. Robust fiscal responsibility measures have been incorporated into the 2015 Affordable Housing Bond proposal, and include:

- Bond ordinance language that specifies project categories that can be funded with the bond proceeds;
- An independent citizens' oversight committee to ensure that the funds are allocated as outlined in the City's Capital Plan. This committee is open to the public, and provides assurance that the funds are spent in accordance with the express will of the voters.

NEED FOR THE PROJECT

The well-documented housing affordability gap that has arisen and expanded in the local housing market makes it a challenge for the City to ensure that economic diversity can be maintained. These high housing costs inhibit healthy, balanced economic growth regionally – individuals and families are increasingly locked out of the local housing market and forced to leave the city and take on increasingly long employment commutes. In recent years, the impact of this affordability gap has expanded beyond low- and moderate-income households, which traditionally could benefit from some form of governmental assistance. Strong housing production and the availability of housing affordable to a broader range of households has therefore become more important than ever. The speed at which affordable housing is produced is also critically relevant, and the City is coupling its housing financing efforts with other process-related changes to facilitate affordable housing's more efficient development.

The 2015 Affordable Housing Bond will help to address the affordability gap, as well as the destabilization that occurs when market pressures in specific neighborhoods result in driving long-time residents out of the City. Further, through prioritized spending, the 2015 Housing Bond will help the City to provide housing for the specific income categories identified in the Regional Housing Needs Assessment.

Affordability Gap

San Francisco's Area Median Income (AMI) in 2015 is \$71,350 for a single-person household, or \$101,900 for a family of four. While those figures are among the highest in the nation, it's not enough for these households to afford market-rate housing. A studio or one-bedroom that rents for \$1,784 per month is considered affordable to a single person earning San Francisco's average median income, while a monthly rent of \$2,293 is considered an affordable monthly rent for a two-bedroom apartment for a family of three earning the area median income. See the chart below for additional affordable rent information over a range of incomes:

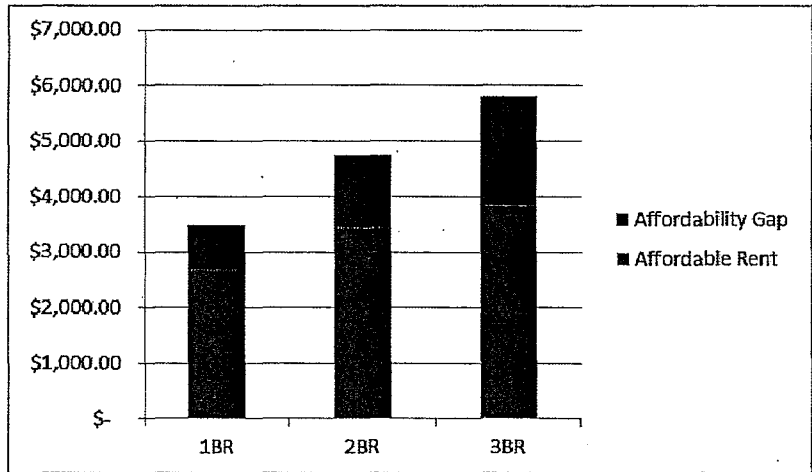
Household Size	100% AMI	Affordable Rent	120% AMI	Affordable Rent	150% AMI	Affordable Rent	2015 MARKET RENT (NON-RENT-CONTROLLED)*
1	71,350	1,784	85,600	2,140	107,050	2,676	2,695 (studio)
2	81,500	2,038	97,800	2,445	122,250	3,056	3,495 (1BR)
3	91,700	2,293	110,050	2,751	137,550	3,439	4,750 (2BR)
4	101,900	2,548	122,300	3,058	152,850	3,821	5,800 (3BR)

**Average available market-rate apartment rent, July 2015, Zumper*

San Francisco vies with New York for the unfortunate distinction of having the country's most expensive housing market. The result for the City's low- and middle-income residents is often over-crowding, substandard conditions, and/or managing a heavy housing cost burden. The difference between an affordable housing cost and market-rate housing cost is commonly called the housing "affordability gap." San Francisco's housing affordability gap exists for both rental and ownership housing.

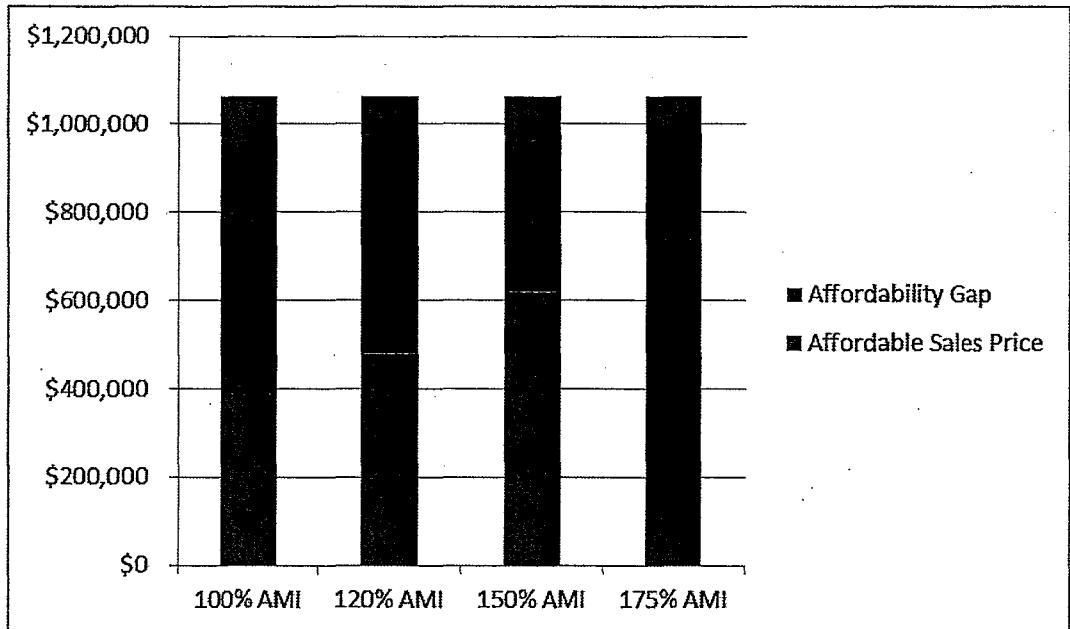
Low-income households face a significant gap between what they can afford and the price of available housing; however, that gap also exists for middle-income households. The illustration below highlights that the rental affordability gap extends even to 150% AMI; the gap is significantly greater for households earning less than 150% AMI.

Table 2: Rental Affordability Gap up to 150% AMI (2015)



Homeownership opportunities are out of reach for the vast majority of San Francisco households, including low-income, middle-income, and above middle-income residents. Only households earning well above 175% AMI (\$160,475 for a household of 3) are able to afford the average purchase price of a home in San Francisco. The illustration below describes the average homeownership affordability gap facing residents at four income levels, all of which are above the levels that have traditionally been eligible for affordable homeownership opportunities.

Table 3: Homeownership Affordability Gap up to 175% AMI (2015)



The documented housing affordability gap and excessive housing cost burdens highlight current San Franciscans' need for more affordable housing. San Francisco must also grapple with the need to accommodate the housing demands of an increasing population.

The Association of Bay Area Governments (ABAG) provides estimates of housing need through its Regional Housing Need Assessment (RHNA), conducted every 7 years. While San Francisco's zoning code allows for even more residential development than is required by our RHNA allocation, limited funding resources and the high cost of housing development mean that the City's supply of affordable housing has not kept pace with demand. The need is particularly acute for moderate-income households, for whom there is no federal or state financing programs (such as low-income housing tax credits, which cap eligibility at 60% of AMI) that the City can leverage with its own subsidies.

The table below summarizes the RHNA allocations for San Francisco for 2007-2014, and shows levels of production achieved through December, 2014:

Table 4: Progress toward RHNA Allocations (2007-2014)

Income Level	Percent AMI	Target	Actual Production	Actual as % of Target
Very Low	<= 50%	6,589	4,118	63%
Low	50% to <= 80%	5,535	1,663	30%
Moderate	80% to <= 120%	6,754	1,283	19%
Above Moderate	Over 120%	12,315	13,391	109%
TOTALS		31,193	20,455	65.60%

PROJECT DESCRIPTION

The 2015 Housing Bond proposes four categories of investments, each of which supports a range of incomes:

- Public housing;
- Low-income housing;
- Middle-income housing; and
- Targeted investments based on the Mission Action Plan.

Households in all of these categories suffer from too few options for affordable housing. The bond will provide funding to speed the production of new affordable housing. The bond will stabilize neighborhoods by geographically targeting investments to acquire rent-controlled buildings in which tenants are at risk of eviction. The bond will allow a rapid response to new acquisition opportunities as they arise. And the bond will ensure safe housing through rehabilitation projects across building types.

The types of projects that the 2015 Affordable Housing Bond will fund include the following (*with photos illustrating similar, previous development made possible with City financing*):

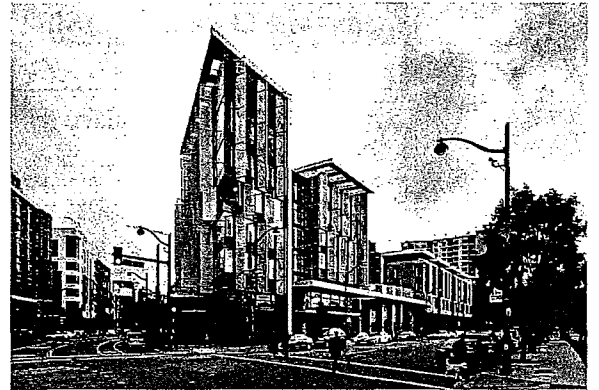
- I. **Geographically-targeted construction of new affordable rental housing.** Bond funds will be used to finance and construct new affordable rental housing according to certain geographic and other priorities, as follows:



- a. Location within high-impact neighborhoods with acute affordable housing needs and with other economic disadvantages, for example, Neighborhood Revitalization Strategy Areas (NRSA), as established by the U.S. Department of Housing and Urban Development (HUD);

Julian & Raye Richardson Apts., Fulton & Gough Streets, 120 units for formerly homeless individuals

- b. Location within transit-oriented locations, so that low- and moderate-income households' combined housing/transit expenses can be minimized;
- c. The ability for projects to maximize the use of additional federal, state, and private funds, so that City dollars go as far as possible.
- d. The ability to commence construction with speed and efficiency, e.g., development of "shovel-ready" sites.



180 4th Street, 150 family units (photo: Bruce Damonte)

- II. **Housing programs that serve vulnerable San Francisco residents.** Bond funds will prioritize housing development, preservation, and rehabilitation programs that serve populations that include:

- a. Low-income working families;
- b. Veterans;
- c. Homeless individuals and families;
- d. Seniors;
- e. Disabled individuals;
- f. Transitional-Aged Youth.



Bayview Hill Gardens, 72 units of housing for formerly chronically homeless individuals and families

- III. **Acquisition of Existing Rental Housing at Risk of Converting to Market-Rate Housing.** Bond proceeds may be used to acquire, rehabilitate, and preserve existing rental housing in order to prevent the displacement of long-term residents and to

prevent the loss of affordable rental stock. This acquisition program may prioritize sites based on the following criteria:

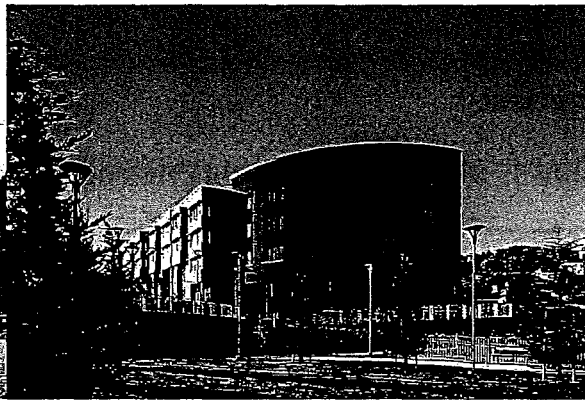
- a. Immediacy of risk of conversion to market-rate;
- b. Location within a NRSA or neighborhood with a documented risk of evictions;
- c. Project size and unit mix.

IV. Repair of Dilapidated Public Housing. Bond funds may be allocated to public housing replacement and rehabilitation, including underlying infrastructure improvements. Public housing repair, rehabilitation, and replacement projects may be prioritized based on the following criteria:

- a. Greatest or most urgent capital needs;
- b. Capacity and feasibility to add net new housing units;
- c. Longest time to completion absent increased financial investment;
- d. Reduction of adverse community impacts that are caused by long-term phased development plans.



Hunters View Public Housing, pre-transformation work



Hunters View Public Housing, post-transformation work

V. Creation of a Middle-Income Rental Program. Bond funds may be allocated to support the creation of permanently affordable rental units designated for middle-income households that are currently not served by the City's traditional affordable housing programs. Bond funds used for the creation and support of middle-income rental units will prioritize family-sized units. Further, in order to facilitate a "housing ladder," first time homebuyer programs (such as the Down Payment Assistance Loan Program) may target outreach efforts to households that occupy deed restricted middle-income rental units. The Middle Income Rental Program will target two categories of households: first, those earning between 80-120% AMI, which have a significant affordability gap at all unit sizes. Second, bond proceeds may be used to support larger families seeking 2BR-4BR units, which also have a demonstrated affordability gap in certain neighborhoods. For this latter category of funding, the 150% AMI affordable housing price must be at least 20% below the market-rate housing cost for eligibility.

- VI. **Creation of a Middle-Income Homeownership Program.** Bond funds may be used to expand existing and develop new homeownership programs to assist San Francisco households earning up to 175% of Area Median Income. Homeownership programs targeted to middle-income households may be structured as revolving loan pools in order to maximize the benefits into the future.
- VII. **Renewal and Expansion of the Teacher Next Door Program.** Bond funds may be used to assist San Francisco's elementary, secondary, and post-secondary educators purchase their first homes.

PROJECT CONSISTENCY WITH GENERAL PLAN

The proposed GO Bond is consistent with the Housing Element of the General Plan, as well as with the eight priority policies set forth in Planning Code Section 101.1 of the Planning Code.

AFFORDABLE HOUSING INVESTMENTS: 20-YEAR PROJECTED TIMELINE

The table below places the proposed GO bond in the context of San Francisco's full suite of affordable housing investments as projected for the next 20 years, broken into five year increments:

Table 5: The City's Affordable Housing Investments – 20 Year Projected Pipeline.

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
November 2015 Bond	310	-	-	-	310
Housing Trust Fund (includes \$50M in accelerated HTF, and additional \$25M)	221	179	227	267	894
General Fund	108	55	53	55	271
Tax Increment (OCII)	164	211	157	62	594
Fees Paid By Developers	277	70	113	60	519
Federal/State/Other Sources	117	46	32	32	226
Totals*	1,197	560	582	475	2,814

**Existing funding sources serve households up to 120% AMI only, and almost exclusively serve households earning less than 60% AMI.*

PROJECT SCHEDULE

The project deliverable for the 2105 Affordable Housing Bond is affordable housing for San Franciscans. The table below summarizes the proposed allocations for the bond, and illustrates the breadth of programs that will be funded and accelerated as a result of this investment in our city's commitment to economic diversity.

2015 HOUSING GO BOND SPENDING

SPENDING CATEGORY	USE OF FUNDS	TIMELINE
PUBLIC HOUSING: Accelerate Sunnydale Accelerate Potrero	Accelerate HOPE SF housing and infrastructure long-term development programs Up to 80% AMI; Likely 30% AMI or less	2017-2018 2018-2019
Subtotal	\$80 million	
MISSION AFFORDABLE HOUSING:	Site acquisition, unit rehab, and predevelopment	Site Acquisitions & predev: 2016-2020
Site acquisition, unit rehab, and predev	Up to 120% AMI; likely 50% AMI or 80% AMI targets	Building Acquisitions & Rehabs: 2016-2018
Subtotal	\$50 million	
LOW-INCOME HOUSING:	New construction and acquisition/preservation of existing rental housing; focus is low-income families, veterans, seniors	
New Construction	Up to 50% AMI	2016-2020
Preservation of Existing Rental Housing	Target 80% AMI, Up to 120% AMI	2016-2020
Subtotal	\$100 million	
MIDDLE-INCOME HOUSING:	Educators, Middle-Class Families	
DALP Loan Expansion	Up to 175% AMI	2016-2020
Teacher Next Door	Up to 200% AMI	2016-2020
Middle-Income Rental Program	Between 80-150% AMI	2016-2020
Expiring Regulations Preservation	Up to 120% AMI	2016-2018
Subtotal	\$80 million	
GRAND TOTAL	\$310 million	

The 2015 Affordable Housing Bond was reviewed by the Capital Planning Committee on May 11, 2015 and introduced at the Board of Supervisors on May 12th, 2015. Following its introduction at the Board of Supervisors, the 2015 Housing Bond will adhere to the following schedule:

- Review by the Board of Supervisors Budget & Finance Subcommittee: July, 2015;
- Consideration by San Francisco Voters: November, 2015;
- Project Implementation: January, 2016.

Upon passage by the voters, 2015 Housing Bond proceeds will immediately be put to use within the allocated project categories.

ACCOUNTABILITY AND THE TEN YEAR CAPITAL PLAN

The 2015 Affordable Housing Bond illustrates the City's recognition that safe, affordable, and accessible housing is an asset on which the vitality of our city relies. The 2015 Affordable Housing Bond acknowledges that the current housing crisis demands increased

financial investment and commitment, within the fiscally responsible framework of our established capital planning process.

The 2015 Affordable Housing Bond will not raise property tax rates beyond their fiscal year 2006 levels.

The Capital Plan prioritizes critical capital projects that impact public safety and well-being, and places a strong emphasis on accountability and transparency. The Capital Plan demonstrates the highest levels of fiscal restraint and responsibility. Where general funds are not adequate to pay the costs of major capital projects, the Capital Plan recommends using one of two sources of long-term debt financing: general obligation bonds backed by property taxes upon approval of the voters, and general fund debt programs backed by the City's general fund upon approval by the Board of Supervisors and the Mayor. Both sources are appropriate means of funding capital improvements, as they spread the cost among a wide swath of San Franciscans who will benefit from the investments over time. The Capital Plan has adopted strict financial constraints on the use of long-term debt financing to avoid placing an increased burden on future generations. Voter-approved bonds proposed by the Capital Plan are only proposed as the City retires existing debt from prior bonds. This allows the City to initiate capital projects cyclically, without increasing property tax rates.

Spending proceeds of the 2015 Affordable Housing Bond will be overseen by the Citizens' General Obligation Bond Oversight Committee (GOBOC). 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. Per the Administrative Code (Sections 5.30 to 5.36), the GOBOC Committee reviews, audits, and reports on the expenditure of bond proceeds to assure the expenditures are in accordance with the will of the voters. This committee will submit audits and reports to the Board of Supervisors and the Mayor's Office. In addition, the Administrative Code Sections 2.70 to 2.74 call for a bond accountability report to be presented 60 days in advance of the issuance of any portion of the bond authority. This report must be submitted to the Clerk of the Board of Supervisors, the City Controller, Treasurer, the Director of Public Finance, and the Board of Supervisors Budget Analyst. It must describe the current status of each proposed project and whether it conforms to the express will of the voters.

PROJECT PRIORITIZATION

Upon passage by the voters, 2015 Affordable Housing General Obligation Bond proceeds will immediately be put to use within the allocated project categories. In deciding which programs to implement first, three key factors will be considered:

- **Program-specific Prioritization Criteria.** As described in this report, each program area includes prioritization criteria relevant to the specific program. These criteria weigh factors that include project impact and location, urgency of need, and populations that benefit from the project.

- **Equity Analysis.** Each program considers geographic and social equity goals as a factor in prioritizing projects.
- **Funding Source Eligibility.** If approved by voters, the revenue realized through the 2015 Affordable Housing GO Bond will be considered in coordination with other existing federal, state, local, and private revenue sources, to ensure that the widest range of projects and needs are delivered. The City will continually evaluate the most effective way to deliver program projects, taking into consideration funding restrictions as well as leveraged outside sources.

The City will also evaluate programs as they are designed, implemented, and delivered, to ensure effectiveness. This information will be considered annually and program modifications will be made as appropriate, based on this additional data.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2015 JUL -8 AM 9:40

[Handwritten initials]

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 8, 2015

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

Re: Office of Economic Analysis Impact Report for File Numbers 150490

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file number 150490, "General obligation Bond for Affordable Housing: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

cc Linda Wong, Committee Clerk, Budget and Finance Sub Committee

General Obligation Bond for Affordable Housing: Economic Impact Report

Office of Economic Analysis
Item #150490

July 8th, 2015



Introduction

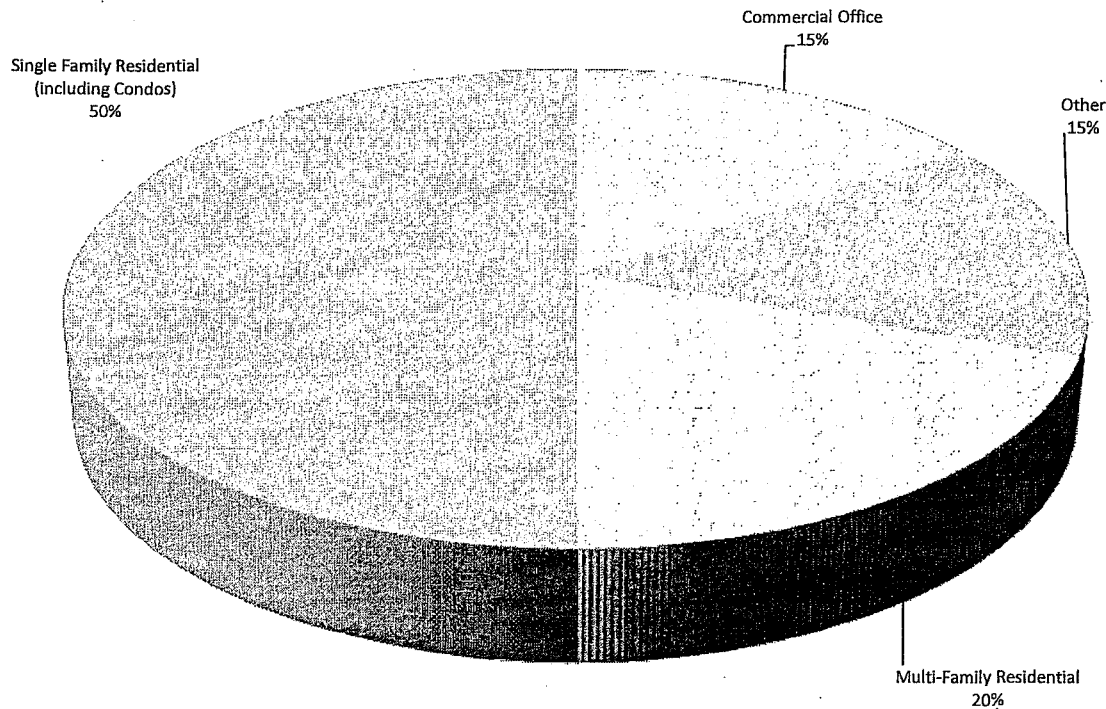
- On May 12, 2015, both Mayor Lee and Supervisor Avalos introduced different motions to place a General Obligation bond for affordable housing on the November, 2015 ballot.
- General obligation (GO) bonds are debt instruments issued by the City, and secured with the General Fund. They must be approved by the voters with a two-thirds majority.
- Both proposed GO bonds are proposed to fund various affordable housing programs in the City.
- On June 22, 2015, the two proposals were combined into a single, \$310 million package.
- The Office of Economic Analysis (OEA) has prepared this report because the single proposal could have a material economic impact on the city, if it were enacted by the voters.

Housing Affordability in San Francisco

- According to data from Zillow, the median value of a owner-occupied dwelling in San Francisco currently exceeds one million dollars.
- While the majority of San Francisco households rent their homes, and the vast majority of San Francisco apartments are subject to rent control, these units revert to market rent upon vacancy. Accordingly, many tenants face high rent burdens, which have increased rapidly in recent years.
- According to the American Communities Survey, in 2013 95,000 San Francisco households have at least one adult in the labor force, rent their home, and earn 80% or less of the area median income. These households spend an average of 46% of their income on housing.
- In addition, low income households in San Francisco are more than twice as likely to move out of the city than households with 80% of AMI or above. 12.3% of low income households move out each year, compared with 5.9% for those households with moderate income and above.

Assessed Value of Secured Property in San Francisco

Assessed Value in San Francisco by Property Use, 2014



GO Bonds are funded through a property tax rate surcharge. The cost therefore falls on property owners in the city, in proportion to the assessed value of their property.

As of 2014, residential property accounted for 70% of the assessed value in the city, so 70% of the cost of the proposed bond will fall on residential property and their tenants.

The proposal authorizes a pass-through of 50% of the tax increase from landlords to tenants, so tenants can be expected to bear approximately 10% of the cost of the debt.



Proposed Use of the Bond Proceeds

- According to the Mayor's Office, the \$310 million in expenditure will be distributed as follows:
 - \$100 million for rehabilitation and construction of affordable housing for low income households across the city.
 - \$50 million for affordable housing within the Mission district.
 - \$80 million for the rehabilitation of existing public housing units.
 - \$80 million for down-payment assistance and developer incentives targeting middle-income households.
- The proposal will fund housing programs focused on four policy areas:
 1. Construction, development, and rehabilitation of new affordable housing, either directly or through increased incentives to developers of market-rate housing.
 2. Rehabilitation of existing public housing units.
 3. Acquisition of existing rent-controlled apartment buildings, to make them permanently rent-controlled.
 4. Down-payment assistance to first-time homebuyers who are public school teachers or middle-income residents.

Economic Impact Factors

- Each of the four major types of policies mentioned on Page 5 involve similar types of costs and benefits.
- **Benefits of a Smaller Housing Burden on Low-income Households:** the stated goal of the GO bonds is to lessen the housing burden on low- and moderate income households. Policies can be evaluated based on their cost-effectiveness at this goal.
- **Indirect Price Effect:** Some policies would also reduce the housing prices and rents facing low-income households in the private housing market, providing indirect benefits to low income households that do not directly receive a subsidized housing unit.
- **Economic Benefits of Construction:** Some of the policies would involve increased construction spending, which generates multiplier effects in the local economy.
- **Costs:** The City's capital planning policy states that new general obligation debt should not result in a higher property tax rate, and only increase to the extent that existing debt is retired. Nevertheless, new debt – including the principal and financing costs – does represent a cost to the city's property owners and tenants. According to the Office of Public Finance, current market interest rates for GO debt are approximately 3.3%.
- Quantifying many of these impacts is unusually challenging. Financing costs depend on future interest rates, which are uncertain. In addition, the unit costs of each program is also subject to uncertainty.

1. Constructing New Affordable Housing

- In constrained housing markets like San Francisco, the construction of new affordable housing is often seen to be the most cost-effective means of reducing the housing burden on low-income households.
- New affordable housing provides direct benefits to the household that receives it, indirect benefits to other low-income households by reducing demand in the private market, and construction multiplier effects for the local economy.
- An average low-income household paying 30% of its income in rent in an affordable unit, instead of the prevailing 46%, would receive a \$6,000 annual subsidy.
- We estimate that the indirect price effect benefitting all low-income households seeking new rental housing in the private market would be larger—about \$9,000 per year per unit.
- While the benefits of new affordable housing are large, the costs can also high on a per-household basis as well. In addition to construction and ongoing maintenance costs, land acquisition costs can be substantial.
- We calculate the net present value of the direct and indirect benefits of a new permanently affordable unit to be approximately \$400,000, using a 5% discount rate. According to the Mayor's Office of Housing (MOH), the City's cost per unit is approximately \$200,000. The benefits to low-income households therefore exceed the City's costs, by a wide margin.

2. Rehabilitating Public Housing

- The \$80 million in bond proceeds for public housing is focused on accelerating the HOPE SF program.
- HOPE SF aims to rebuild San Francisco Housing Authority sites, which have deteriorated in quality, into mixed-income communities featuring renovated public housing units, market rate housing, and new permanently-affordable housing.
- Given their poor condition, rehabilitation is likely to maintain the usable life of many units, and thus is effectively increasing the supply of permanently affordable housing in the future. It is therefore likely to provide some kind of indirect as well as direct affordability benefit, but these benefits, and the cost per unit, are difficult to quantify.
- Without quantifying the cost and future benefits to affordability and livability, the economic impact of investing in rehabilitating public housing is positive simply because of the economic benefit the construction spending exceeds the economic costs of the debt service.
- At current interest rates, assuming a 20 year loan, the planned investment in public housing will increase net spending in the local economy by \$38 million, and have a net employment effect of 44 jobs per year for 20 years.

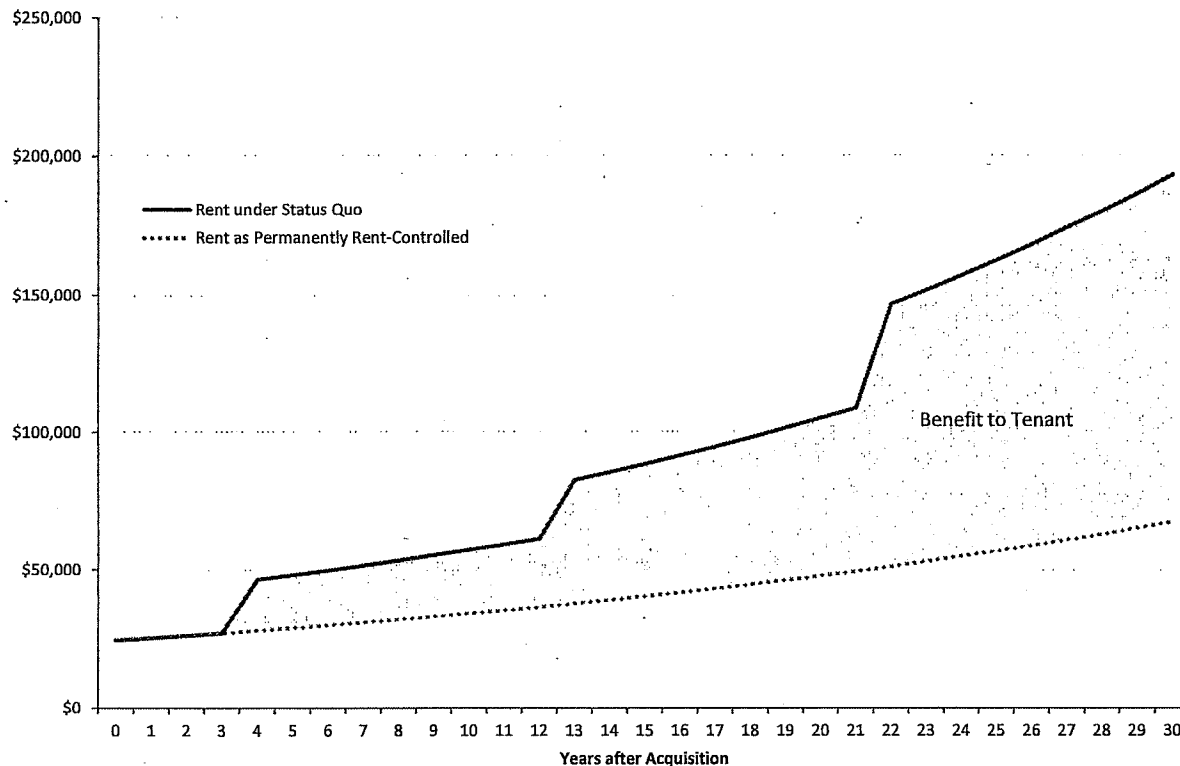
3. Preserving Existing Rental Housing: Policy Background

- MOH also manages a Small Sites program, which funds the purchase of existing rent-controlled apartment buildings, in order to keep them permanently rent-controlled.
- The bond program's investment in preserving existing rental housing would likely expand the funding for this program.
- Rent control in San Francisco applies to rental housing units built prior to 1979, and regulates the allowable annual increases in rent of occupied units. The rent of vacant units, however, is unregulated.
- The gap between the controlled rent of an occupied unit, and the market rent of a vacant unit, can create an incentive to evict or buy-out tenants in order to raise rents. Reducing this incentive is among the stated objectives of the program.
- Another benefit, which is easier to quantify, is the reduced rents that future tenants will receive, because a unit's rent will never reset to market rent upon vacancy. Under the Small Sites program as presently constituted, a unit's rent may never increase by more than 3.5% per year. Market rents in San Francisco have increased at over between 6-7% annually, on average.



Benefits of Acquisition/Preservation of Existing Rental Housing

Annual Benefits of Acquiring One Unit of Rent Controlled Housing and Making It Permanently Rent-Controlled



The chart to the left indicates the annual benefits to tenants, over a 30 year period, of making a rent-controlled housing unit permanently rent-controlled. In this example, the unit become vacant in year 4, and then again every 9 years – the current average tenancy in rent-controlled apartments in the city.

When it becomes vacant, its rent rises to the market level, calculated from historic trends in market rent growth off the initial rent in year 0. Until that vacancy event, it rises the much lower trend in rent-controlled rent.

The chart illustrates that the benefits are largely in the future. In the earliest years, tenants are already benefitting from rent control..

In addition, unlike new affordable housing and public housing rehabilitation, this program will not alter the supply of or demand for housing, and hence has no indirect benefit.



Benefit-Cost Ratio of Preserving Rent-Controlled Housing

- According to our financial model of the program, if the prices of properties acquired under the program reflect their future rental income, as would be expected, then the policy's Benefit-Cost ratio should not be sensitive to future growth in rents and operating expenses.
- If the market expects future rent increases to be large, then it will be expensive for MOH to acquire property. However, future tenants will receive a large subsidy. Conversely, if the market expects rents under the program to more closely track market rents, future subsidies will be lower, but MOH's acquisition costs should be lower as well.
- For this reason, in our financial model, only the bond interest rate and the discount rate affect the benefit-cost ratio. The higher the debt service costs, the lower the benefit-cost ratio; the more the market discounts future income, the lower MOH's acquisition costs, and the higher the benefit-cost ratio.
- At current interest rates and assuming a 5% discount rate, the program would generate \$1.12 in subsidy per dollar in expense. This would make the program a relatively cost-effective form of subsidy for affordable housing. In all likelihood, however, it would be significantly less cost-effective than producing new affordable housing.

4. Down Payment Assistance

- As discussed earlier, the bond proceeds would also fund two down payment assistance programs targeting middle-income households purchasing their first home.
- The first, Down Payment Assistance Loan Program (DALP) provides an interest-free loan, up to \$57,000, that converts to equity upon the re-sale of the house. The loan can prevent a first-time homeowner from needing private mortgage insurance, which can carry a high effective interest rate.
- Upon resale, the program receives a share of the capital gains equal to its share of the initial equity invested. For example, if DALP contributes 5% of the purchase price, and the owner puts 15% down, then upon resale, the City is entitled to 25%, or $5\% / (5\% + 15\%)$ of the profit.
- Because of this debt-to-equity feature, and San Francisco's generally rising home prices, the program is likely to be profitable for the City over the long run, making it very advantageous from a cost-benefit point of view.
- The second, the Teacher Next Door program, encourages public school teachers to live in San Francisco by assisting with a first-time down payment, up to \$20,000 even if their household income exceeds 120% of area median income. The loan is repayable only if the house is sold, or the teacher leaves the San Francisco Unified School District, within 10 years. After 10 years, the loan is forgiven. The loan is repayable, without interest, if the house is resold within five years.

Conclusions

- San Francisco's chronically high housing prices, and the high housing burden facing low-income households in the city, have made affordable housing investment a major policy priority in recent years.
- The proposed GO bond will significantly increase the resources that the City devotes to producing, acquiring, rehabilitating, and maintaining housing for low- and middle-income households in the city.
- The four major policy areas funded by the bond can be expected to offer a range of economic benefits:
 - New affordable housing generates both direct and indirect housing subsidies whose value greatly exceeds the City's per new unit.
 - Rehabilitating public housing produces similar benefits that are harder to quantify, but the economic benefits of the construction spending alone exceeds the costs.
 - Purchasing existing housing to make it permanently rent-controlled is also likely to generate subsidies that exceed the cost of acquisition, given current interest rates and a reasonable discount rate.
 - Down payment assistance, as the DALP program is currently structured, is likely to generate revenue for the City over the long term, as well as assist middle-income households purchase their first home.

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Caldeira, Rick (BOS)

From: Ronen, Hillary
Sent: Wednesday, July 08, 2015 10:15 AM
To: Caldeira, Rick (BOS)
Subject: File 150490

Please add Supervisor Campos as cosponsor of above referenced file. Thank you!
Hillary

2

Caldeira, Rick (BOS)

From: Lang, Davi (BOS)
Sent: Wednesday, July 08, 2015 10:17 AM
To: Caldeira, Rick (BOS)
Subject: Co-sponsorship

Supervisor Kim would like to co-sponsor 150490, which is the GO Bond Ordinance for \$310 million.

-Davi Lang

Caldeira, Rick (BOS)

From: Pagoulatos, Nickolas (BOS)
Sent: Wednesday, July 08, 2015 10:22 AM
To: Caldeira, Rick (BOS)
Subject: GO Bond Sponsorship File #150490

Hey Rick,

Eric would like to be added as a co-sponsor.

