Funding and Incentivizing Affordable Housing in San Francisco

Policy Analysis Report for Supervisor Chyanne Chen

Presentation to:

Land Use and Transportation Committee

San Francisco Board of Supervisors

June 8, 2026

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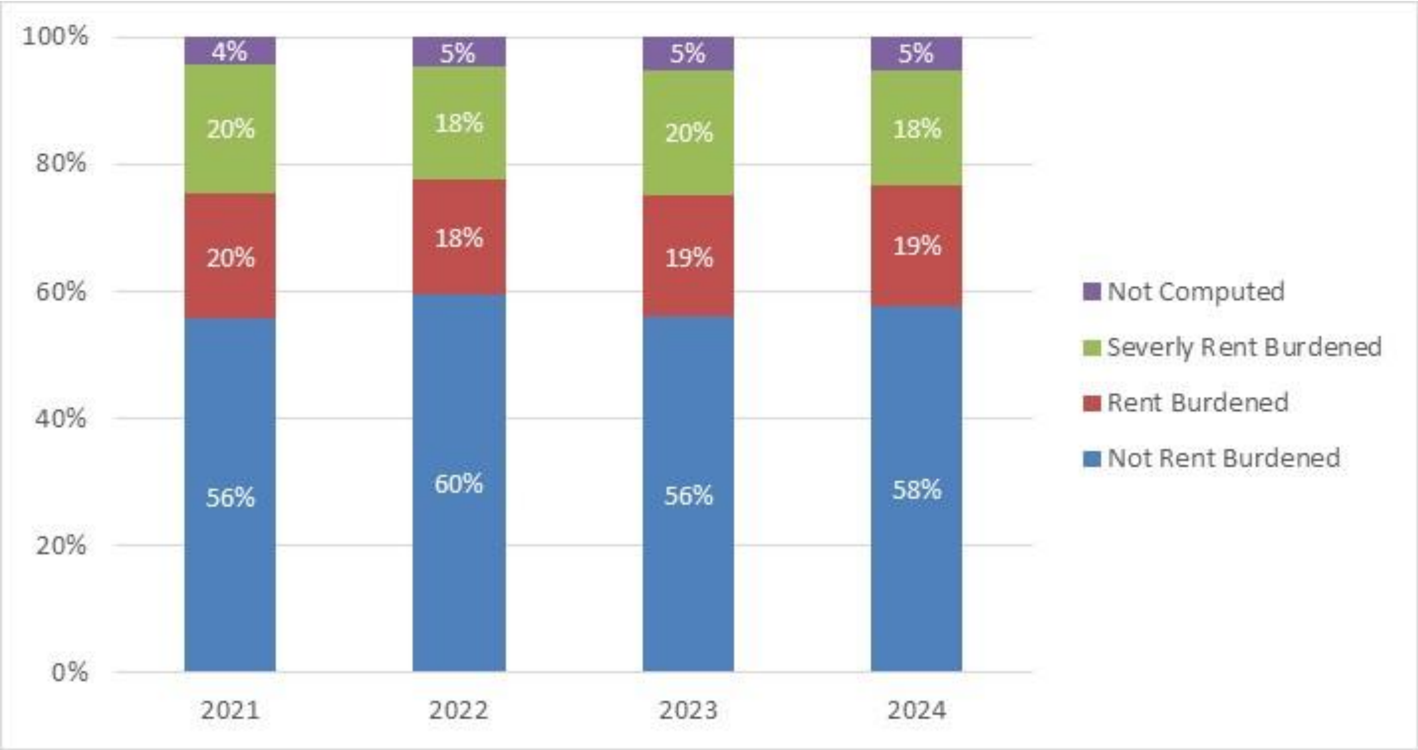
37% of San Francisco renters are rent burdened, spending >30% of income on rent. 18% severely rent burdened – spending >50% of income on rent.

Rent Burden of Renter-Occupied Households, San Francisco (2021-2024)



San Francisco's affordable housing

To address the lack of affordable housing, the City and County of San Francisco produces and oversees the following types of affordable housing:

- Below Market Rate (BMR) units as part of market-rate projects,
- New 100 percent affordable housing,
- Permanent Supportive Housing (PSH),
- Preservation and rehabilitation, and
- Unsubsidized affordable housing/"naturally-occurring" affordable housing (housing that is affordable without a public subsidy).

MOHCD Affordable Housing Portfolio, 2026

Inclusionary Housing	**4,833**
Affordability Preservation Agreement	451
Bond Financed Inclusionary Housing	403
Inclusionary Housing Program	3,913
OCII Inclusionary Rental Program	26
OPA Only	40
MOHCD 100% Affordable (New Development)	**27,505**
Assisted Living/Skilled Nursing Facility	86
Foster Care	13
HOPE SF	1,362
Multifamily Rental Program	20,901
Multifamily Securities Program	1,035
Rental Assistance Demonstration Program	3,500
Transitional	608
MOHCD 100% Affordable (Preservation)	**1,464**
Cooperative Living for Mental Health	22
HomeKey	439
Small Sites Program/Acquisitions	983
Supportive Living Preservation Program	20
Other Ownership Programs	**2,499**
BMR-Other	26
City Second Loan Program	760
Condo Conversion Program	641
Limited Equity Program	1,072
Grand Total	**36,301**

Regional Housing Needs Allocation (RHNA)

- For RHNA 2023-2031 period, San Francisco mandate: City must create zoned capacity and ease governmental constraints to facilitate construction of **82,069** new housing units by 2031, of which **46,598** are to be designated as affordable housing.
- As of 2025, the City produced only 12 percent of its needed housing to comply with RHNA requirements vs. RHNA period approximately 37.5 percent completed.
- Failure to demonstrate that San Francisco has created capacity to meet the RNA jeopardizes its local control over zoning as well as State funding.

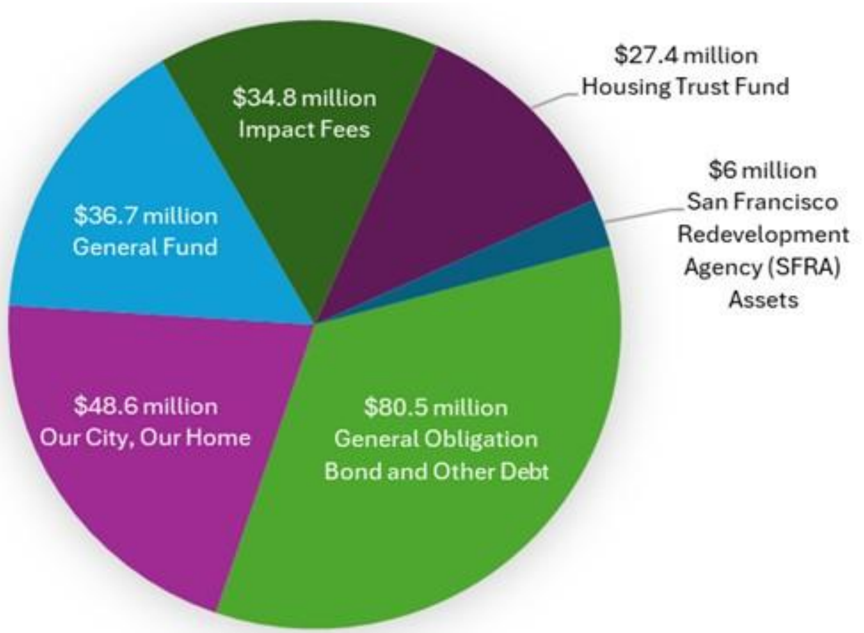
San Francisco is behind on its 2023-2030 RHNA Goals as of 2025

Household Affordability	RHNA Housing Goals	Progress Toward RHNA Targets	Deficit	% Progress
Above Moderate (>120% AMI)	35,471	3,516	31,955	10%
Moderate Income (80-120% AMI)	13,717	1,402	12,315	10%
Low Income (50-<80% AMI)	12,014	1,682	10,332	14%
Very Low Income (< 50% AMI)	20,867	2,981	17,886	14%
Total	**82,069**	**9,581**	**72,488**	**12%**

- Vs. 37.5% of the way through the RHNA period

MOHCD Spending on Multifamily Housing Grants & Loans from Local Sources

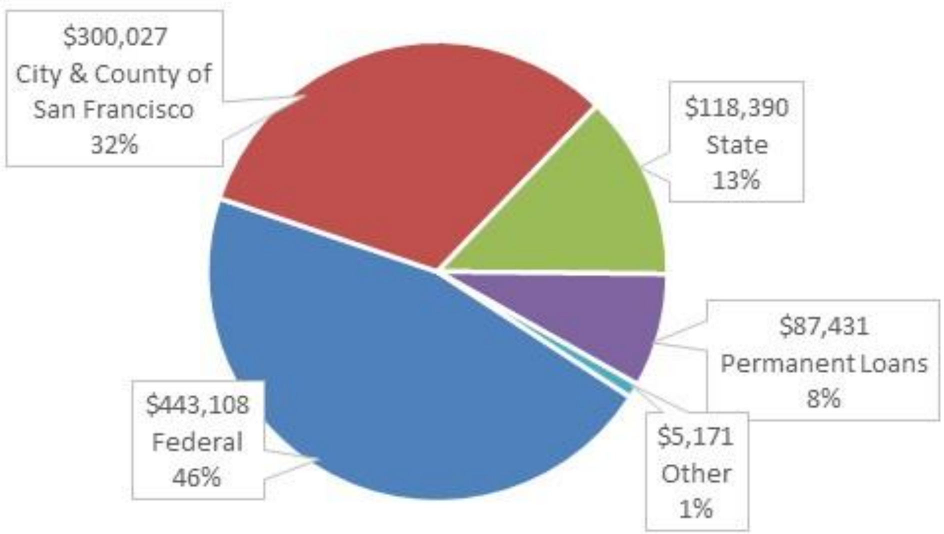
FY 2024-25



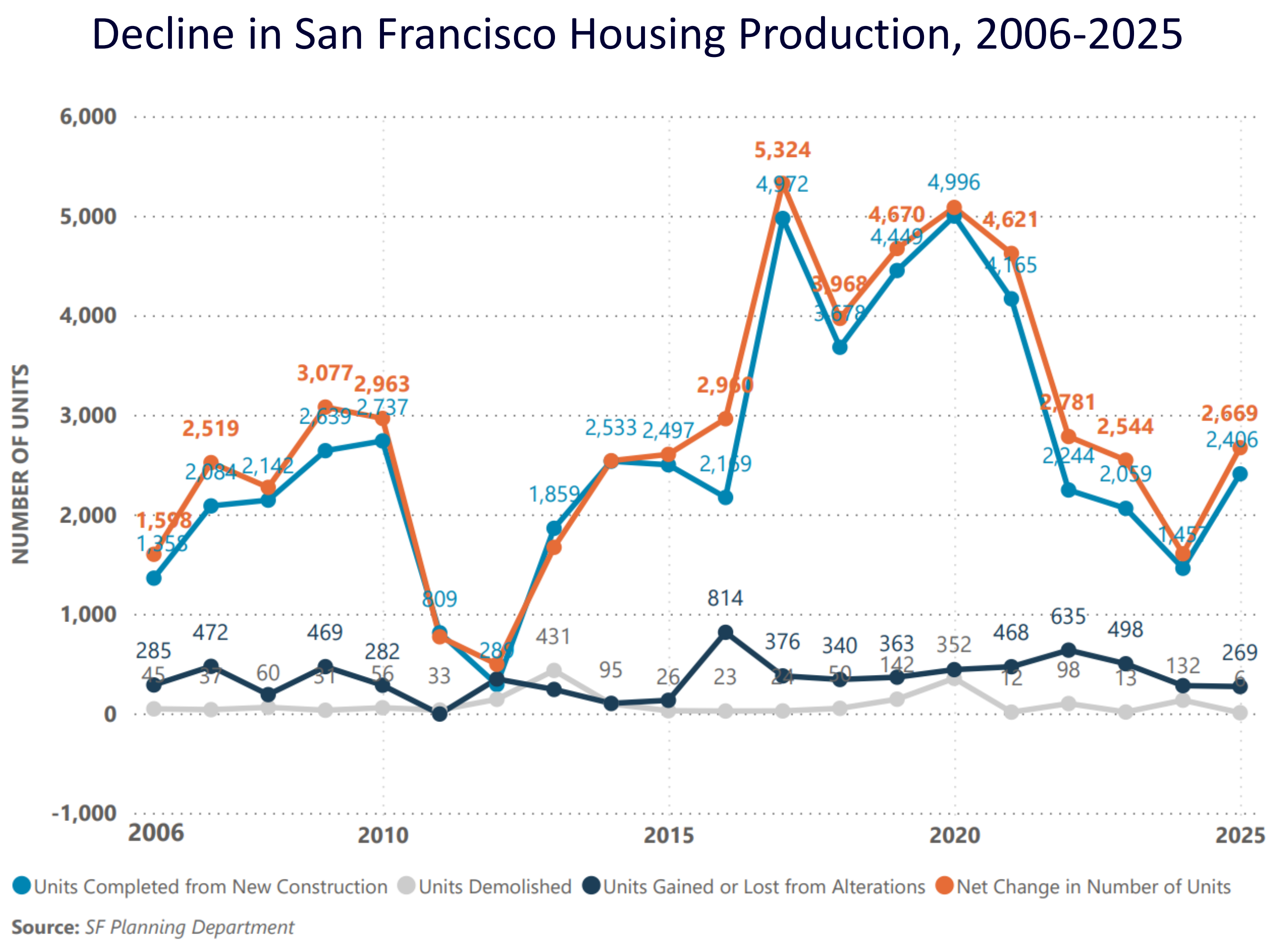
Total: $234 million

Distribution of funding sources for a typical affordable housing unit in San Francisco

- Local funding amounts to approximately 32 percent of the total. The largest share, federal funding, makes up approximately 46 percent of funding. This includes the Low-Income Housing Tax Credit (LIHTC), which is granted to investors by federal and state entities separate from City processes.



Temporary Fee Reduction Program Impacts



Temporary Fee Reduction Program approved by the Board of Supervisors in September 2023

- Created 3-year window of reduced development impact fees and lower Inclusionary Housing Program requirements for market-rate housing developments.
- 2023 San Francisco Inclusionary Affordable Housing Program's Technical Advisory Committee (TAC) report:
  - the majority of residential development in San Francisco financially infeasible under conditions at the time.
  - Recommended a reduction in Inclusionary Affordable Housing rates and development impact fees.
- 2026 TAC report:
  - housing development unprofitable; nearly all new residential projects infeasible.
  - recommended reductions in affordable housing mandates.
  - maximum recommended inclusionary requirement is zero percent.

Impacts of decline in housing production

- Besides impact on the City's housing inventory, the decline in housing production affects 2 funding sources for affordable housing:
  1) *inclusionary housing and fees*, or affordable housing included in market-rate developments, and fees paid by developers in lieu of including affordable units in their market rate developments; and
  2) *development impact fees* paid by market-rate housing developers to cover the impacts of their projects on the City, including the need for affordable housing.

Inclusionary In-Lieu Fee Revenue: FY 2017-18 - FY 2024-25

Affordable Housing Development Impact Fees, FY 2017-18 to FY 2024-25

- Development impact fee revenue is used for affordable housing as well as for services and functions impacted by development such as public transportation, childcare, and public art.
- These fees dedicated to affordable housing declined significantly during these years.

Year	Inclusionary In-Lieu	Jobs-Housing Linkage Fees	Plan Area Fees	Total
FY 2017-18	$14,477,961	$3,036,705	$17,042,393	$34,557,059
FY 2018-19	$31,408,983	$12,741,971	$10,457,554	$54,608,508
FY 2019-20*	$28,922,975	$(2,268,293)	$9,491,231	$36,145,913
FY 2020-21	$4,869,769	$74,067	$1,455,168	$6,399,005
FY 2021-22	$4,190,753	$3,554,063	$826,188	$8,571,004
FY 2022-23	$1,268,027	$4,884,920	$12,206,810	$18,359,758
FY 2023-24	$1,496,792	$-	$-	$1,496,792
FY 2024-25**	$(1,271,562)	$1,693,610	$-	$422,048
Total	$85,363,698	$23,717,044	$51,479,344	$126,003,028
Average Annual Revenue	$12,194,814	$3,388,149	$7,354,192	$18,000,433

Lost fee revenue for affordable housing due to the fee reductions was not significant

- BLA estimated lost affordable housing revenue due to Temporary Fee Reduction program:
  - Citywide development impact fees, FY 2024-25: $1,902,077 loss, based on a 33 percent reduction in revenues collected.
  - Development impact fees *dedicated to affordable housing only:* $211,030.
  - Inclusionary fees: FY 2023-24: $448,033.

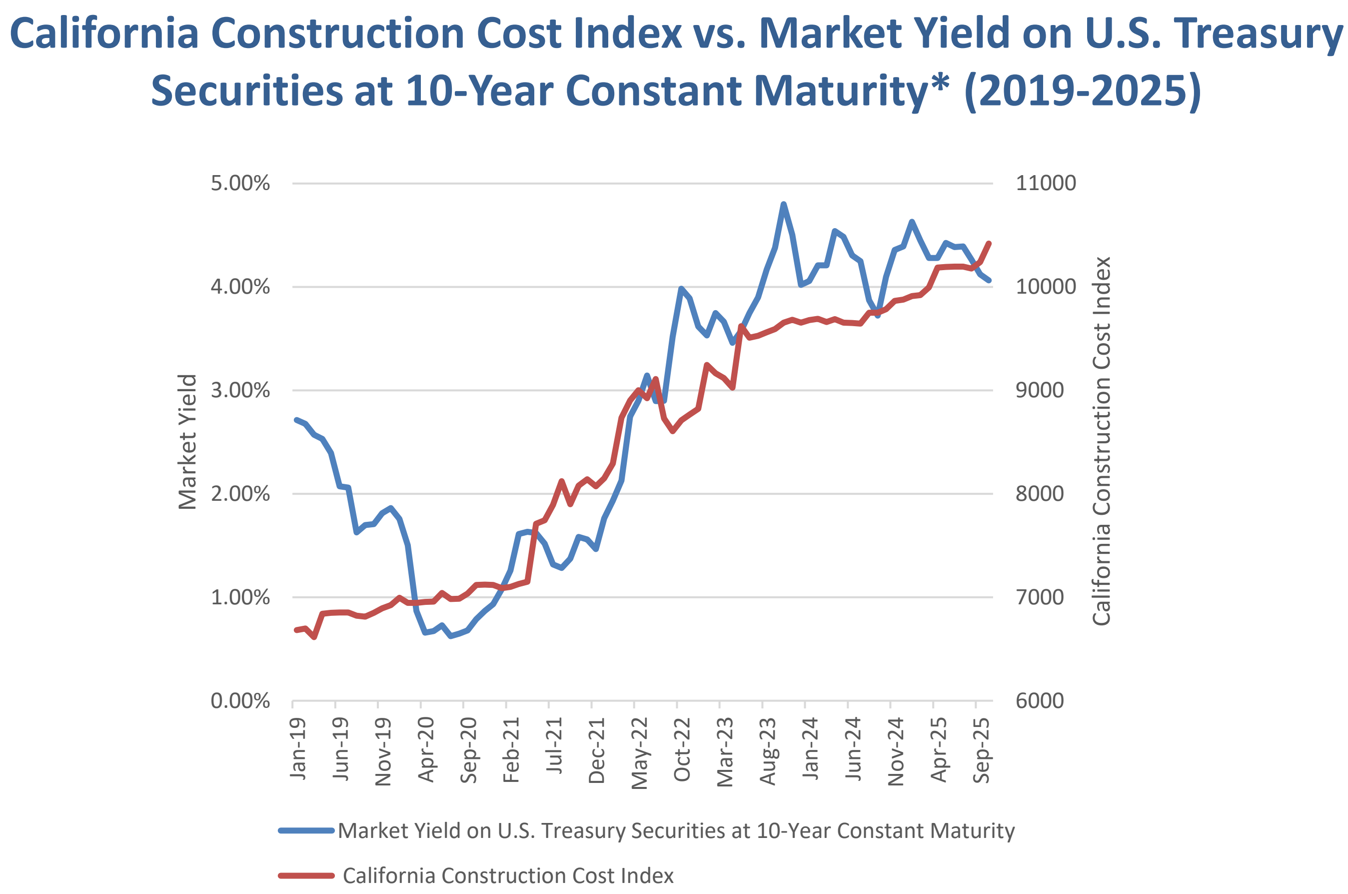
Impacts of fee reductions: hypothetical development project

We applied the temporary fee discounts to a hypothetical new construction project:

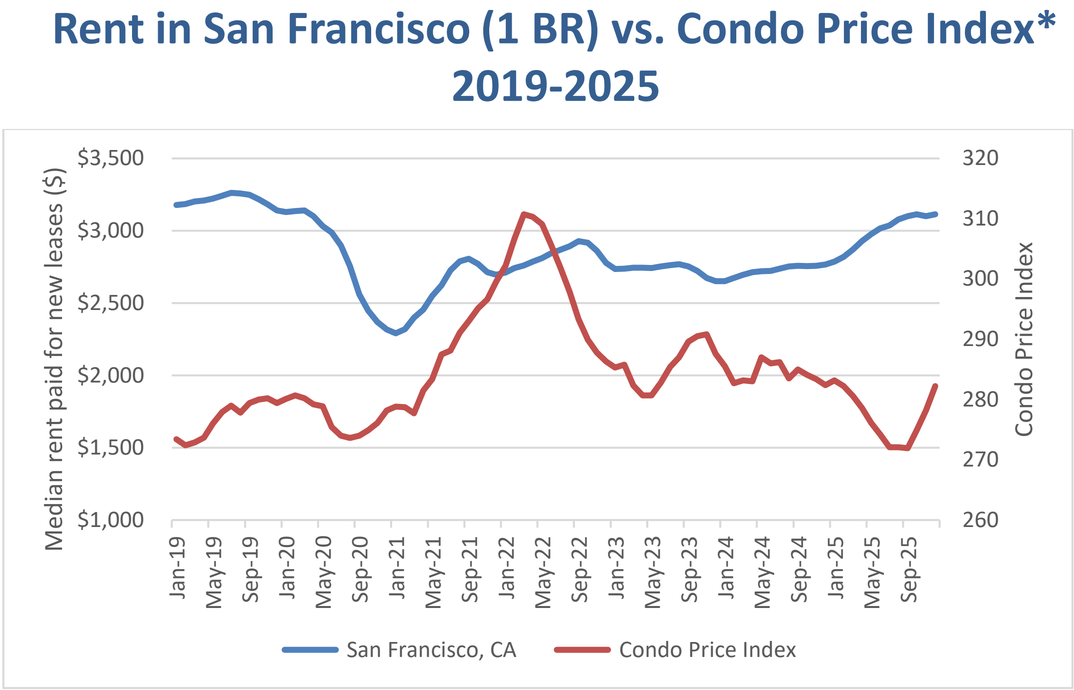
- 98 units, 100 percent residential, 80,000 gross square feet (average of 612 sq. ft, per unit plus 20,000 sq. ft for lobby, elevators and stairs, utilities, and common space) on a 10,000 square foot lot.
- Cost reduction: up to approximately $16,433 per unit, Depending on location of the project and applicable fees, modest cost savings ranges from 0.44 to 1.83% of total development costs.

Project Location	Area Fee Per Unit	Total Fees* Per Unit	After 33% Discount per Unit	Savings Per Unit	Savings for Entire Project	Savings as % of Total Dvlpt. Costs
Not in Special Fee Area	n/a	$12,002	$8,041	$3,961	$388,139	0.44%
Balboa Park	$13,127	$22,843	$15,305	$7,538	$738,731	0.84%
Central SOMA**	$26,229	$35,945	$24,083	$11,862	$1,162,451	1.32%
Downtown	$5,102	$14,818	$9,928	$4,890	$479,219	0.54%
Eastern Neighborhoods	$14,204	$23,920	$16,027	$7,894	$773,579	0.88%
Market Octavia	$26,955	$36,671	$24,570	$12,102	$1,185,947	1.34%
Rincon Hill	$33,445	$43,161	$28,918	$14,243	$1,395,827	1.58%
Transit Center District	$9,314	$19,030	$12,750	$6,280	$615,443	0.70%
Van Ness & Market***	$40,082	$49,798	$33,364	**$16,433**	$1,610,459	**1.83%**
Visitacion	$8,122	$17,839	$11,952	$5,887	$576,899	0.65%

Impact of Macroeconomic Factors outweighs fee reductions



Macroeconomic factors dampened housing production: rents and condo prices



Financing: Total Subsidy needed for RHNA Goals= $17.9 bn.

Income Category	Total Unit Deficit	Annual Units Needed	Estimated Avg City Subsidy / Unit	Total City Subsidy Needed	Annual City Subsidy Needed
Very Low	17,886	2,981	$405,000	$7,243,830,000	$1,207,305,000
Low	10,332	1,722	$450,000	$4,649,400,000	$774,900,000
Moderate	12,315	2,053	$490,000	$6,034,350,000	$1,005,725,000
Total	40,533	6,756		$17,927,580,000	$2,987,930,000

Financing tool options

Public financing tools: upfront City investment; long-term self-sustainability

1. Establish a Revolving Loan Fund
2. Implement a Joint Powers Authority
3. Implement an Open Indenture
4. Create a Municipal Bank

Expand existing affordable housing tools

5. Create additional Enhanced Infrastructure Financing Districts (EIFDs)
6. Leverage SB 593 Bonding Authority

Dedicate more existing resources to affordable housing:

7. Direct Prop I-Generated Revenue to Ongoing Social Housing Funding
8. Raise the City Debt Ceiling for Affordable Housing
9. Enhance Housing Trust Fund Allocation

Create new funding streams

10. New or Enhanced Taxes

Other options

In addition to the various options described above, the Board of Supervisors could consider the following new or enhanced taxes:

- Vacancy tax
- Speculation/flipping tax
- Windfall tax
- Parcel tax
- Real property transfer tax
- Sales tax
- Excess compensation tax

and..

- Continue to Pursue Local and Regional Bonds
- Continue Advocacy Efforts
- Continue Efficiency Efforts

Financing strategies recommendations

Eight recommendations to collect more input to help decide on which options to pursue + one other recommendation on a related topic:

The Board of Supervisors should:

Propose a formal process for tracking and reporting every two years or at a cadence decided upon with input from MOHCD and Planning Department staff on the status of the Leadership Council recommendations contained in their 2024 Affordable Housing Funding and Financing Recommendations Report.

Equity Gaps and Opportunities

- Although MOHCD undertakes significant efforts to measure gaps and identify opportunities to address them – it undertakes City-wide community-engaged planning processes and generates over a dozen reports published annually – there remains an opportunity to further resource, prioritize, and track these efforts.
- Current affordable housing systems in San Francisco address the unique housing needs of many communities and subpopulations.

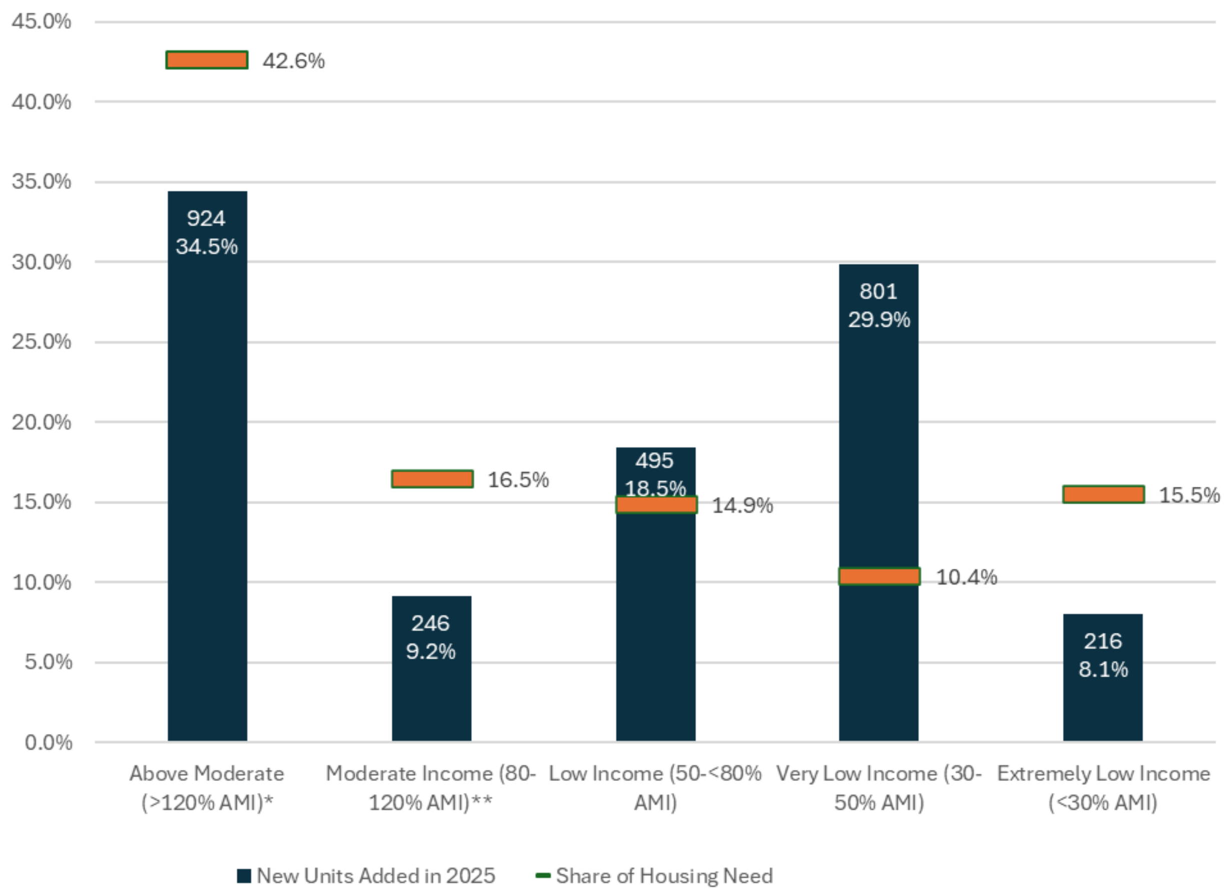
SF communities whose unique housing needs are well documented & reported

- Populations receiving preference when applying for affordable housing through the City's lottery system:
  - Households who were displaced by redevelopment
  - Households displaced by fire, no-fault eviction, etc.
  - Neighborhood residents
  - Other (veterans, those who live or work in San Francisco, certain residents of HOPE SF projects)
- Homeless population
- Low income households through inclusion of housing for their income brackets in affordable housing complexes
- Housing insecure through rental assistance, eviction defense, and related services

City efforts to solicit input & address needs of vulnerable populations

- 2018-2019: MOHCD conducted extensive outreach efforts to solicit input from various subgroups and vulnerable populations to inform the subsequent Housing Element update.
- Tracking results on the City's goals and initiatives regarding housing equity issues and vulnerable populations is not always transparent. Annual report to the state not readily accessible or user-friendly.
- HUD-mandated Analysis of Impediments to Fair Housing Choice covers housing issues for vulnerable populations and remedies underway but is only produced every 5 years.
- Interviews with housing providers and advocates conducted for this report confirmed concerns identified in MOHCD documents and added the need for safe housing for women, particularly survivors of domestic violence, and the shortage of housing for Extremely Low-Income households.

New Housing Units in San Francisco vs. Housing Need, 2025



Equity-related recommendations

- Request that staff prioritize Extremely Low-Income (ELI) housing in funding allocations particularly if new funding sources can be so allocated.
- Request that staff create a formal framework to track progress in meeting equity goals with approach proposed by MOHCD & other relevant City staff.
- Request that staff prepare a follow up on recommendations with no or limited progress reported in the MOHCD Impediments Report to the State and any other documents and request follow-ups on incomplete solutions to identified impediments.
- Request information from staff on resources needed to address population-specific impediments identified in MOHCD reporting.

Questions and comments

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