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June 5, 2019

Budget and Finance Committee, San Francisco Board of Supervisors

The Honorable Sandra Lee Fewer, Chairperson
The Honorable Catherine Stefani, Supervisor, District 2
The Honorable Rafael Mandelman, Supervisor, District 8
The Honorable Hillary Ronen, Supervisor, District 9
The Honorable Norman Yee, Supervisor, District 7

1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**Re: June 6 Agenda Items #4 & 5: General Obligation Bonds —
Affordable Housing — Not to Exceed \$500,000,000**

Dear Chairperson Fewer and Budget and Finance Committee Members,

This testimony recommends the Budget and Finance Committee 1) Require MOHCD to correct inaccurate data, 2) Re-Allocate uses of the \$500 million proposed bond, and 3) Dedicate potential \$100 million increase to middle-income housing.

Correct Inaccurate Data About 2015 Affordable Housing Bond Accomplishments

MOHCD's report to both the Capital Planning Committee and to the Board of Supervisors — *2019 General Obligation Affordable Housing Bond Report* — wrongly claims that the 2015 Affordable Housing Bond has produced (or will) 1,613 housing units.

That's complete hooey, since MOHCD's own presentation to CGOBOC on May 20, 2019 reported that just 1,501 units — not 1,613 — will be produced with the 2015 Affordable Housing Bond (MOHCD report dated March 2019). And the 1,501-unit amount may actually only be somewhere between 1,056 units and 1,111 units, since MOHCD is counting at least 390 units, if not 445 units, in "infrastructure" projects, including 125 market-rate units, in the Public Housing subcategory. All along, MOHCD had been reporting units for *pre-development* projects in the total unit count, but eventually removed the *pre-development* "units" from the totals. Similarly, MOHCD should stop padding the unit counts by including units served by "infrastructure" improvements as new or rehabilitated units.

During successive quarterly reports on the 2015 bond to CGOBOC, MOHCD shifted the unit counts in each category, shown in Figure 1. MOHCD must report to you, and members of the public, correct data on the number of new and rehabbed units.

Figure 1: Shifting Units Counts of 2015 Bond Main Categories:

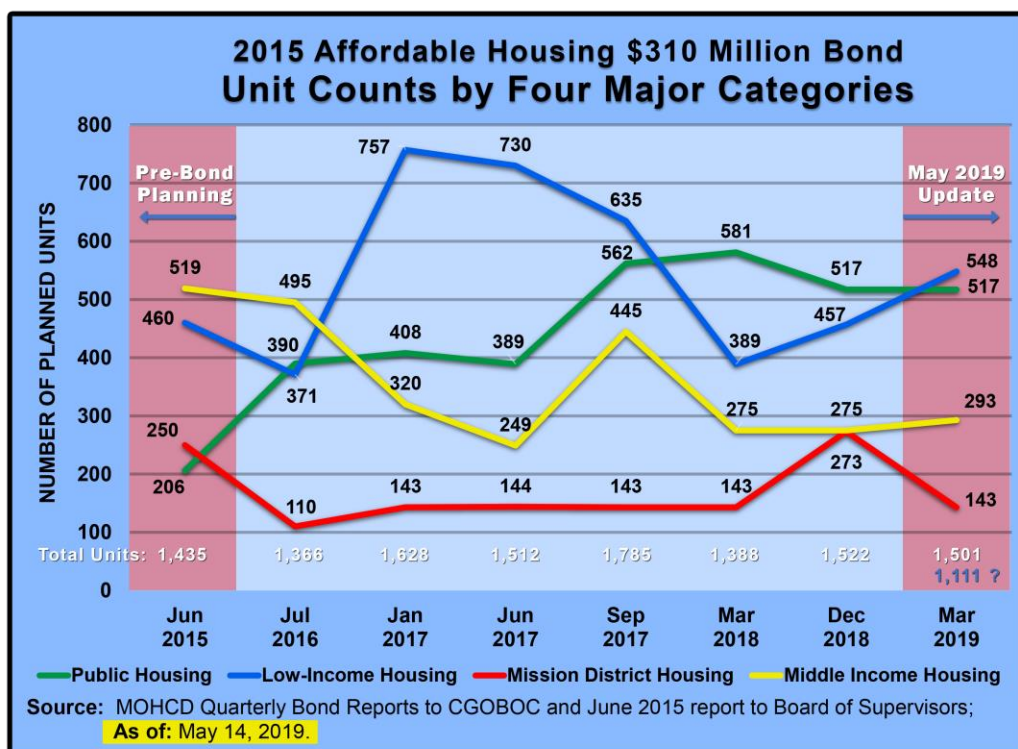


Figure 2: Total Units Shouldn't Be Inflated by Counting "Infrastructure"

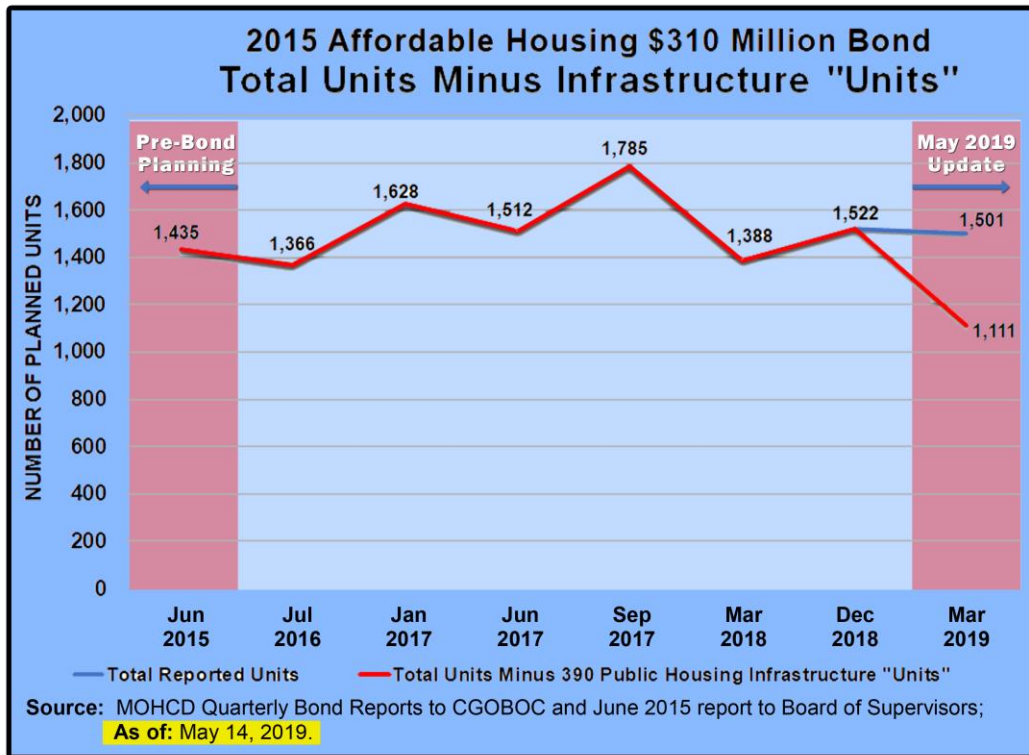


Figure 2 illustrates:

- MOHCD appears to be reporting in its “GO Bond accomplishment tracking of unit counts” metrics at least 390 units in the Public Housing category that are infrastructure development and perhaps not actual units (217 units in the Potrero Phase II Infrastructure Development project, and 173 units at the Sunnydale 3A/B Predevelopment and Infrastructure project).

If MOHCD is not counting *pre-development* expenses in its “GO Bond accomplishments” in the Low-Income Housing main category, why is it counting *infrastructure* expenses that also may not involve actual housing units being built or rehabilitated in the Public Housing main category?

- Not shown in Figure 2 are 55 units being counted in the “Sunnydale Parcel Q Vertical/Block 6 Infrastructure Predevelopment” project in the Public Housing main category, which may push the total number of units funded by the bond down from 1,111 to just 1,056 total units. This would also push the Public Housing “accomplishments” down from 517 units (as MOHCD reports) to just 72 units (390 + 55 = 445 units that are infrastructure support, not actual units).

To the extent the 2015 bond is producing 1,056 units — not 1,613 units as MOHCD reported to you for the 2019 bond — MOHCD artificially inflated the “accomplished” unit counts by 34.5%.

Proposed Re-Allocation Within Proposed \$500 Million 2019 Affordable Housing Bond

I have been following the 2015 Affordable Housing bond’s progress and believe you should make changes to the 2019 bond.

I am requesting that the Budget and Finance Committee consider making amendments to the enabling legislation for the November 2019 Affordable Housing Bond on Thursday, June 6.

- **Re-Allocate Portion of \$210 Million Low-Income Housing Category to Affordable Housing Preservation Category:** The 2015 Affordable Housing bond allocated \$180 million between the *Public Housing* and *Low-Income Housing* main categories, 58% of the \$310 million bond. Similarly, the 2019 bond is proposing to allocate \$360 million between the *Public Housing* and *Low-Income Housing* main categories, 72% of the proposed \$500 million bond.

Since the Planning Department has reported that RHNA production between 2007 and 2014 achieved just 19% of units *actually produced* for the Moderate-Income category (80% to 120% of AMI) and only 22% of Moderate-Income units

have received permits for the 2015–2022 period now four years into the eight-year cycle, the Budget and Finance Committee should re-allocate \$100 million of the \$210 million planned for Low-Income housing and assign it to the *Affordable Housing Preservation* category, thereby increasing that category from \$30 million to \$130 million.

It's a long-overdue matter of equity for moderate-income households.

The Middle-Income Rental housing program took a hit in the 2015 bond, and a similar category is on track to receive just \$30 million — only 6% — from the \$500 million 2019 bond. That funding must be significantly increased.

- **Require No “Poaching” From \$30 Million Affordable Housing Preservation Category:** When CGOBOC first heard the 2015 Bond during its initial January 2016 hearing, the *DALP* and *Teacher Next Door* loans were budgeted for a combined \$15 million, but as of December 2018, those two programs rose to receiving \$39.4 million of the \$80 million Middle-Income Housing category. MOHCD claimed there had been “great demand” for the *DALP* loans, but in the re-allocation process the category for a *Middle-Income Rental Housing* category was removed entirely in favor of funding the *DALP* and *TND* loans and for the 43rd & Irving rental project serving only teachers, in effect stripping other middle-income households of housing production they could afford.

The Budget and Finance Committee should ensure that MOHCD is not allowed to raid the planned \$30 million *Affordable Housing Preservation* category for *rental units* in the 2019 bond to again fatten up *ownership* loan awards for the *DALP* and *TND* categories.

- **Change AMI Levels for Affordable Housing Preservation Category:** The AMI targets for the *Affordable Housing Preservation* category should be changed from 30%–120% of AMI, to 80%–120% of AMI. This is particularly true since the *Public Housing* and *Low-Income Housing* categories are already reserved for those households earning less than 80% of AMI. Allowing those who earn between 30% and 80% of AMI to access the *Affordable Housing Preservation* category essentially provides them with multiple categories of funding, pitting them against moderate-income households earning between 80% and 120% of AMI.
- **Expand AMI Levels for Senior Housing Category:** The AMI range for the Senior Housing units should be raised to 120% of AMI to assist moderate-income level seniors.
- **Require Breakouts of Senior Housing Category:** MOHCD should be required to determine now the number of proposed senior housing units being planned in each of the three categories for very-low income, low-income, and moderate-income seniors (80% to 120% of AMI), and require MOHCD to stick to it.
- **Types of Senior Housing Units:** MOHCD should be required to report now what types of housing will be developed for the \$90 million Senior Housing category, and whether assisted living and board-and-care facilities will be included in the funding and will actually and eventually be developed.
- **Speed Up Bond Issuance:** One of the problems with the 2015 bond is that it was split into three tranches. The third tranche representing nearly one third of the \$310 million bond is not expected to be issued until the Fall of 2019, four years after voters approved it in November 2015. Taking three to four years to issue bonds after voters have approved them is totally unacceptable in the middle of San Francisco's affordable housing crisis.

The \$500 million for the November 2019 ballot needs to be issued more aggressively. The \$200 million planned to be issued in 2021 and the \$150 million tranche expected to be issued in 2022 should be moved up to mid-year 2020.

- **Speed Up Project Timelines:** I am concerned that the five categories of spending — Public Housing, Low-Income Housing, Affordable Housing Production, Middle-Income Housing, and Senior Housing projects — drag out project timelines to the year 2025 or later, six years after the \$500 million bond is to appear on the November 2019 ballot.

In the midst of an on-going affordable housing crisis, the City must do better!

- **Report Accurate Unit Counts:** I am concerned by the 965 units reported as being produced or preserved in the Public Housing category for the planned 2019 bond, and whether that number is being over-reported. How many of those 965 units are actually for pre-development and/or infrastructure? MOHCD should be required to break out the data.

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You should require that MOHCD report in all major categories of funding the number of actual units being produced, and report separately the number of units that fall into the “*pre-development*” and “*infrastructure*” categories to avoid artificially inflating the total number of units that will be produced or preserved with the 2019 bond.

Please consider making amendments to the enabling legislation for the \$500 million bond plans on June 6.

Dedicate Potential \$100 Million Increase (to \$600 Million) for Middle-Income Rental Housing

Should the Board decide to add \$100 million — to a total of \$600 million — to the November 2019 Affordable Housing bond, I believe you should reserve the \$100 million increase for middle-income rental housing development, in part because that need was unceremoniously removed from the 2015 bond spending.

The November 2015 Affordable Housing bond had explicitly asked voters the question of whether the bond would include a middle-income rental program. The legal text of the Affordable Housing Bond clearly stated in Section 3-E on page 156 in the November 2015 voter guide that a portion of the bond would be used to create “*Middle-Income Rental Housing.*” In fact, MOHCD had advised CGOBOC in January 2016 that:

“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.”

Some observers continue to wonder whether MOHCD decided after voters passed Proposition “C” in June 2016 that MOHCD could remove the *Middle-Income Rental* program from the 2015 Affordable Housing Bond a month later in July 2016.

Middle-income households that rent will not be included in funding for the 2019 housing bond. That must be fixed, by including funding for it, and not removing it, again.

Beyond that, the Board of Supervisors should not approve adding \$100 million to the bond, without first transparently telling voters what the \$100 million increase will be used for, presumably for brick-and-mortar projects.

Respectfully submitted,

Patrick Monette-Shaw

Columnist

Westside Observer Newspaper

cc: The Honorable Aaron Peskin, Supervisor, District 3
The Honorable Gordon Mar, Supervisor, District 4
The Honorable Vallie Brown, Supervisor, District 5
The Honorable Matt Haney, Supervisor, District 6
The Honorable Shamann Walton, Supervisor, District 10
The Honorable Ahsha Safai, Supervisor, District 11