

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
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Policy Analysis Report

To: Supervisor Chyanne Chen
From: Budget and Legislative Analyst's Office
Re: Funding and Incentivizing Affordable Housing in San Francisco
Date: June 5, 2026



Summary of Requested Action

Your office requested that the Budget and Legislative Analyst conduct an analysis of affordable housing funding strategies and the City's delivery system. In accordance with the four components of the request, this report (1) characterizes how San Francisco currently funds, builds, and plans for affordable housing development, (2) estimates the impacts resulting from the reduction of impact fees and inclusionary requirements, which have historically been primary tools for supporting affordable housing, (3) assesses the City's current reliance on one-time and market-contingent funds and explores potential financing strategies, and (4) reviews gaps in the affordable housing delivery system for vulnerable communities.

For further information about this report, contact Fred Brousseau, Director of Policy Analysis, at the Budget and Legislative Analyst's Office.

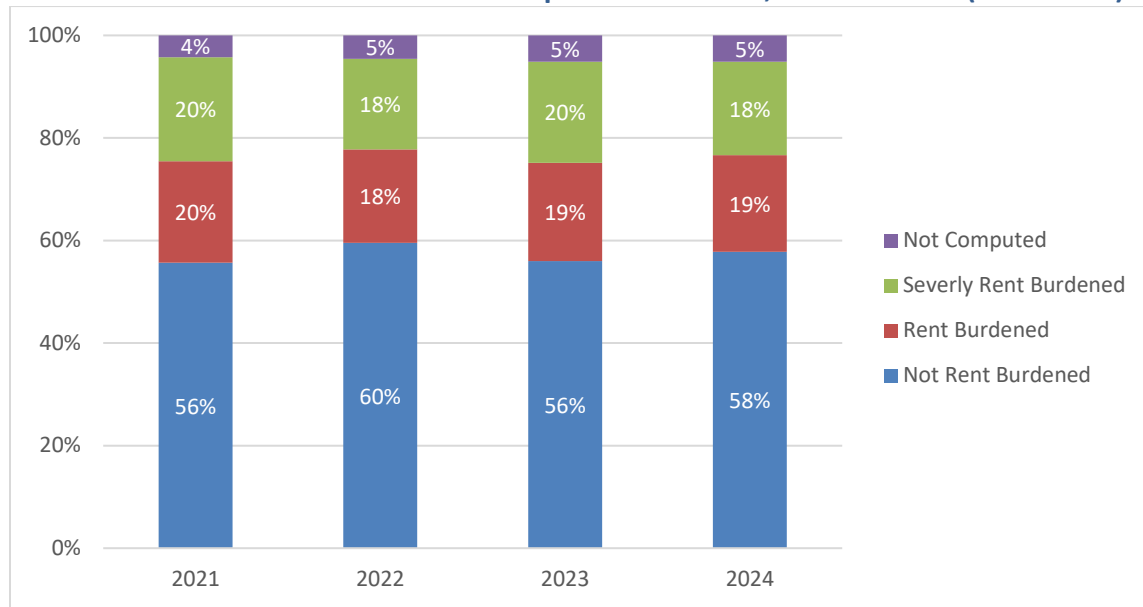
Project Staff: Fred Brousseau, Avalon Bauman, Estefania Suarez

Executive Summary

1. Summary: Introduction

- Affordable housing defined: Housing considered affordable when households spend no more than 30 percent of their gross monthly income on rent and utilities.
- Rent burdened defined: Households spending more than 30% of income on rent.
 - San Francisco, 2024: 37% of renter households rent burdened:
 - 19 percent spending over 30 percent of income on rent,
 - 18 percent were severely rent burdened, spending more than half of their gross income on rent.

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



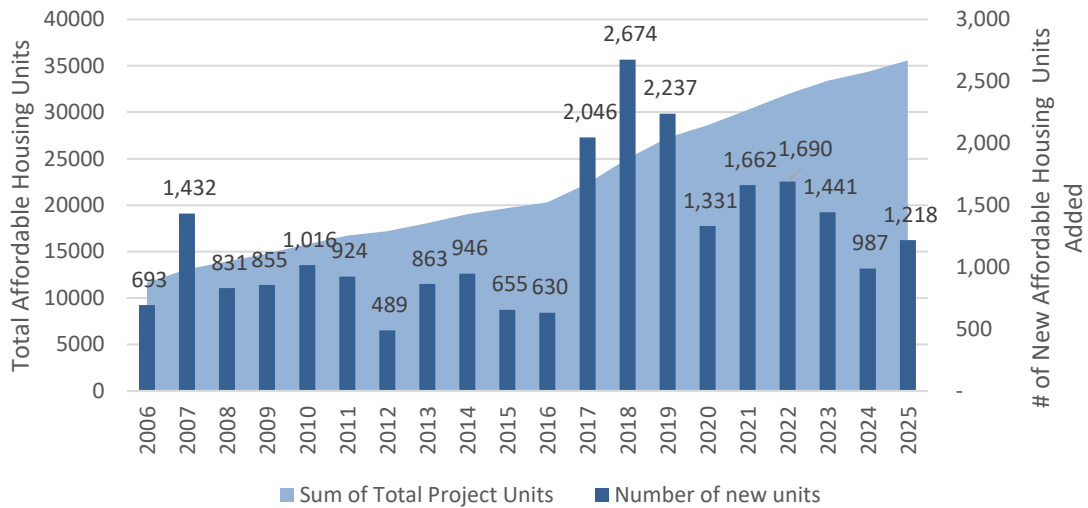
- To address the lack of affordable housing, the City and County of San Francisco produces and oversees the following types of affordable housing:
 - Below Market Rate (BMR) units as part of market-rate projects,
 - New 100 percent affordable housing,
 - Permanent Supportive Housing (PSH),
 - Preservation and rehabilitation, and
 - Unsubsidized affordable housing/“naturally-occurring” affordable housing (housing that is affordable without a public subsidy).
- The primary focus of this report is below market rate units and 100 percent affordable housing. The 36,301 units in these categories is considered MOHCD’s portfolio, shown in Exhibit B. San Francisco has a total of 422,958 housing units; the 36,301 affordable constitutes approximately 8.6 percent of the housing stock.

Exhibit B: MOHCD Affordable Housing Unit 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

- A significant portion of affordable housing in San Francisco falls outside MOHCD's portfolio, including HUD- or privately- funded affordable housing, much of Permanent Supportive Housing (PSH) for homeless individuals, and naturally occurring affordable housing.
- The City has continued to enhance its portfolio of affordable housing, as shown in Exhibit C for the years 2006-2025. Even with these additions, many residents continue to be rent-burdened.

Exhibit C: MOHCD Affordable Housing Portfolio Growth Since 2006



- The City’s official goals to increase market rate and affordable housing supply are shaped by the State’s Regional Housing Needs Allocation (RHNA), a state-mandated process required under California Housing Element law.
- The California Department of Housing and Community Development calculates the number of housing units needed for each region of the state and regional planning bodies allocate the need to each jurisdiction in their area for a multi-year period.
- For the current RHNA period, 2023-2031, the mandate for San Francisco is that it must create zoned capacity and ease governmental constraints to facilitate construction of 82,069 new housing units by 2031, or 94,300 including a recommended 15 percent buffer.¹ Of those total units, 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 its RHNA requirements though the time span is approximately 37.5 percent completed. Exhibit D shows the progress made through 2025.

¹ Failure to demonstrate that San Francisco has created capacity to meet the RNA jeopardizes its local control over zoning as well as State funding.

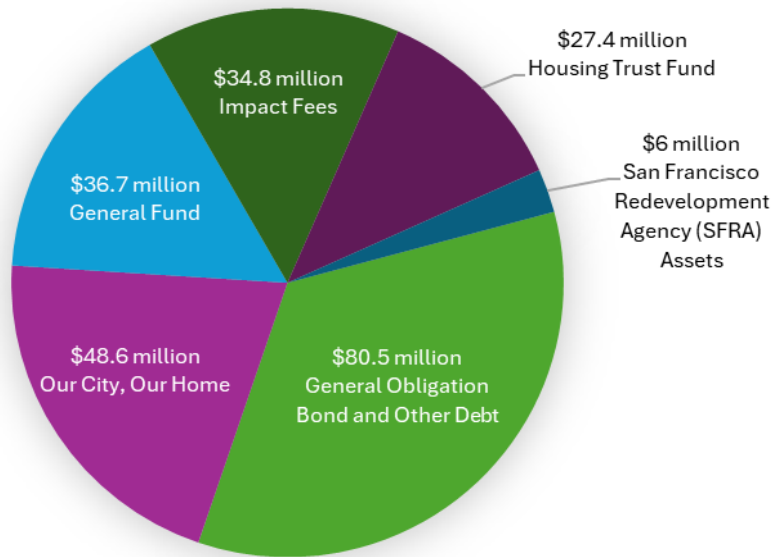
Exhibit D. San Francisco is behind on its 2023-2030 RHNA Goals as of 2025

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%

- The amounts shown in Exhibit E exclude federal and state Low Income Housing Tax Credits, which are not local funds, but are a key component of funding for the City's affordable housing.
- The amount the City spends on affordable housing each year varies depending on the configuration of projects and funding sources available. The majority, approximately 80 percent, of MOHCD's multifamily housing expenditures originate from local sources. In FY 2024-25, the Department's total spending on multifamily housing grants and loans amounted to \$285.7 million, of which approximately \$234 million came from six local sources, detailed in Exhibit E below. As can be seen, General Obligation bonds and debt are the largest sources of funding for affordable housing. While voters have approved bonds for affordable housing a number of times, it is not a secure funding source since it

has to compete with other City debt needs and is subject to voter approval each time a bond is issued.

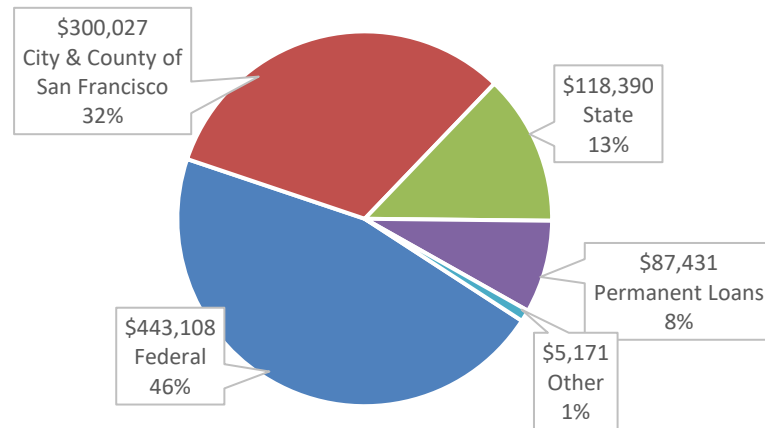
Exhibit E: MOHCD Spending on Multifamily Housing Grants & Loans from Local Sources (FY 2024-25)



Total: \$234 million

- The distribution of funding sources for a typical affordable housing unit in San Francisco is shown in Exhibit F. As can be seen, 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.

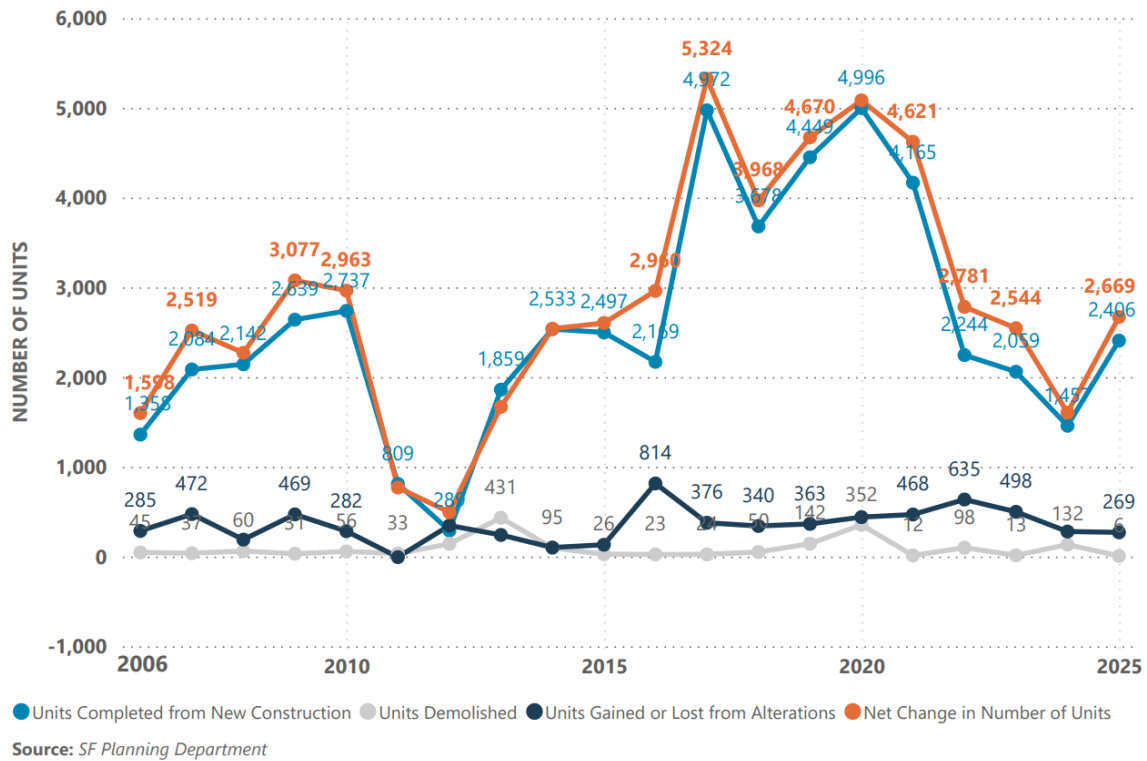
Exhibit F: Breakdown of Average \$954,127 Per-Unit Funding for Affordable Housing Projects using Low Income Housing Tax Credits, 2024



2. Summary: Temporary Fee Reduction Program Impacts

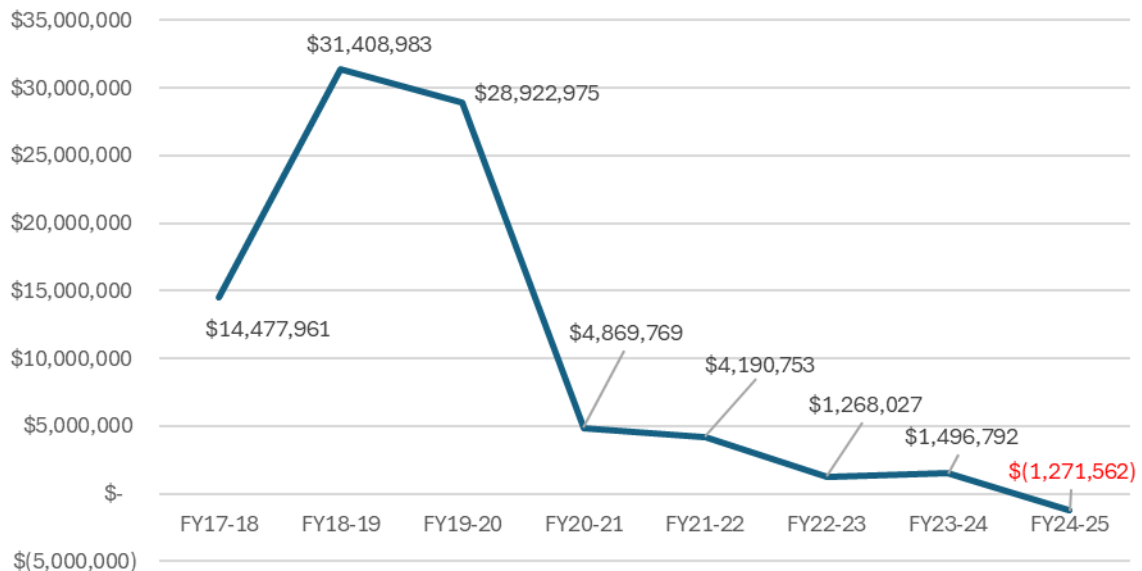
- Market-rate and affordable housing production in San Francisco has declined since 2020. Even with a slight uptick in 2025, housing production is still well below pre-pandemic levels, as shown in Exhibit G.
- Besides the impact of low housing production on the City's housing inventory, the decline affects two key sources for affordable housing:
 - 1) inclusionary housing and fees, or affordable housing included in market-rate developments at levels specified by the City, 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 in proportion to the scale of their projects to cover the impacts of their projects on the City, including the need for affordable housing.

Exhibit G: San Francisco Housing Production, 2006-2025



- Exhibit H shows the sharp decline in inclusionary fee revenue starting in FY 2019-20.

Exhibit H: MOHCD Inclusionary In-Lieu Fee Revenue* (FY 2017-18 - 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.
- The following development impact fees, detailed in Exhibit I, generate funds used for affordable housing development under the jurisdiction of MOHCD. The percentages allocated to affordable housing are set in the Planning Code.
 1. In-lieu inclusionary fees (described above)
 2. Jobs-Housing Linkage Fees
 3. Plan Area Fees - Market & Octavia
 4. Plan Area Fees - Eastern Neighborhoods (Mission & SOMA)
 5. Plan Area Fees - Eastern Neighborhoods Alternative Inclusionary
 6. Plan Area Fees - Van Ness & Market Residential Special Use District

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

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
<i>Average Annual Revenue</i>	\$12,194,814	\$3,388,149	\$7,354,192	\$18,000,433

- To address the reduction in housing production, the Temporary Fee Reduction Program was approved by the Board of Supervisors on September 5, 2023, creating a three-year window of reduced development impact fees and lower Inclusionary Housing Program requirements for market-rate housing developments. In this report, we have addressed the following three questions:
 1. What were the fees and reductions?
 2. Did lowering the rates make development projects, particularly housing, financially viable?

3. What was the net impact on affordable housing production and funding?

- The June 2023 report by San Francisco's Inclusionary Affordable Housing Program's Technical Advisory Committee (TAC) informed the Board of Supervisors decision on the reductions in fees. In coordination with the Controller's Office, the TAC's first Triennial Economic Feasibility Report reported that under then-current market conditions (characterized by high construction costs and increased interest rates) the majority of residential development in San Francisco was financially infeasible. It recommended a reduction in Inclusionary Affordable Housing rates and development impact fees, noting that low and mid-rise projects may become feasible with lower inclusionary requirements. At the time, rates were 15 to 20 percent for Inclusionary Affordable Housing units and 20 to 30 percent for inclusionary housing in-lieu fees. The TAC report also noted that in several of its hypothetical development scenarios, development remained infeasible even with all Inclusionary Affordable Housing requirements removed.
- The recently released 2026 report by the TAC had similar conclusions centering on the unprofitability of housing development and recommended reductions in affordable housing mandates. The report concluded that nearly all new residential projects are infeasible and that the maximum recommended inclusionary requirement is zero percent.
- In response, in September 2023, the Board of Supervisors approved several measures that temporarily reduced the inclusionary housing requirements as well as other development impact fees. The impact on inclusionary housing was to reduce requirements to the bottom of the range recommended by the TAC report, with different rules implemented depending on the approval date of the project, as captured in Exhibit J below. As can be seen, some inclusionary fees were not changed but others were reduced by up to 45.5 percent.

Exhibit J: Inclusionary Requirement Reductions from the Temporary Fee Reduction Legislation (Rental Projects)

	Pre-2023		Previously Approved Pipeline Projects*		Interim Projects**		Future Projects***	
	10-24 Units	25+ Units	10-24	25+	10-24	25+	10-24	25+
Inclusionary Requirement								
On-site	15%	22%	12%	12%	15%	15%	15%	18%
Off-site or In-Lieu Fee	20%	30%	16.4%	16.4%	20%	20.4%	20%	24.5%
Reduction in Requirement (Relative to Pre-2023)								
On-site			-20%	-45.5%	0%	-32%	0%	-18.2%
Offsite or In-Lieu Fee			-18%	-45.3%	0%	-32%	0%	-18.3%

*Development projects that have been Finally Approved prior to November 1, 2023, but have not obtained a first construction document.²

**For projects 25 units or larger approved between November 1, 2023, and November 1, 2026, so long as they obtain a first construction document within 30 months.

***Effective November 1, 2026, and increasing 0.5 percent each year starting Jan 1, 2028, until reaching a cap of 24 percent for rental projects.

- BLA estimated lost inclusionary fees, FY 2023-24: \$448,033. This modest loss reflects the lack of development activity in that year.
- Changes in development impact fees adopted in 2023 are summarized in Exhibit K. As shown, all fees were reduced by 33 percent, fee assessments and payments were deferred in some cases and fee indexing methods were replaced.

² Defined in the SF Building Codes as the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development project.

Exhibit K: Development Impact Fee Modifications Adopted in 2023 Legislation

Ordinance	Area	Impact
Ord. 187-23 (230769)	Fee Reduction	33% discount on all fees (with restrictions) for eligible projects
Ord. 193-23 (230769)	Fee Deferral	For eligible projects, deferred 80–85% of development impact fee payments from building permit issuance to no later than the first certificate of occupancy
Ord. 193-23 (230764)	Fee Indexing	Replaced the existing method of annual fee escalation based on Annual Infrastructure Construction Cost Inflation Estimate (AICCE) with a flat 2% escalation rate per year
Ord. 193-23 (230764)	Fee Assessment	Froze the rates and applicability of development impact fees to the time of project approval for eligible projects

- BLA estimated lost total development impact fee collections, FY 2024-25: \$1,902,077 is based on a 33 percent reduction in revenues collected. The loss in development impact fee revenue dedicated to affordable housing was only \$211,030, a fairly insignificant amount relative to annual affordable housing spending in San Francisco, but a reflection of reduced housing production.

Impact on Housing Production

- Exhibit G above shows that housing production in San Francisco fell overall from a peak of 4,972 new units in 2017 to a low of just 1,457 units in 2024. Because the City’s policy interventions were introduced while the market was already in retreat and facing pressures like high interest rates and slow-growing rents, isolating the specific impact of fee reductions from broader macroeconomic trends is challenging. However, even if some project developers made the decision to proceed with a development project, housing production was still well below pre-pandemic levels after the reductions were adopted.
- To estimate the potential impact of the reductions in development impact fees on development projects, we applied the 2023 fee discounts to a hypothetical project. Our hypothetical new construction project has an assumed 98 units total, is 100 percent residential, and is 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)³ on a 10,000 square foot lot.
- Exhibit L below shows what the relevant per-unit development impact fees would be for this hypothetical project across the different Planning Areas, given the relevant Special Area Fees in each location. We then add the fees to the applicable Citywide fees.

³ On average, 20-25% of a building’s square footage is needed for non-residential uses.

- We find, as shown in Exhibit L below, the temporary fee discounts can result in a project cost reduction of up to approximately \$16,433 per unit, with costs varying depending on the neighborhood and any associated neighborhood-specific fees. Depending on the location of the project and applicable fees, the cost savings for the hypothetical developer ranges from 0.44 to 1.83 percent of total development costs.

Exhibit L: 2023 Development Impact Fee Discount, Hypothetical Example⁴

Hypothetical Example Assumptions: 98 units, with savings per unit calculated as total savings divided by 98 units. Assumed to be a new residential construction, 80,000 gross square feet on a 10,000 sq ft lot. Fee Tier 1 assumed for Eastern Neighborhoods Fee. Citywide fees calculated to total \$12,002 with all required street trees planted but paying the in-lieu fee for 5 bicycle spaces. Assumed \$50 million construction cost and \$88.2 million total development cost.*

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		\$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%

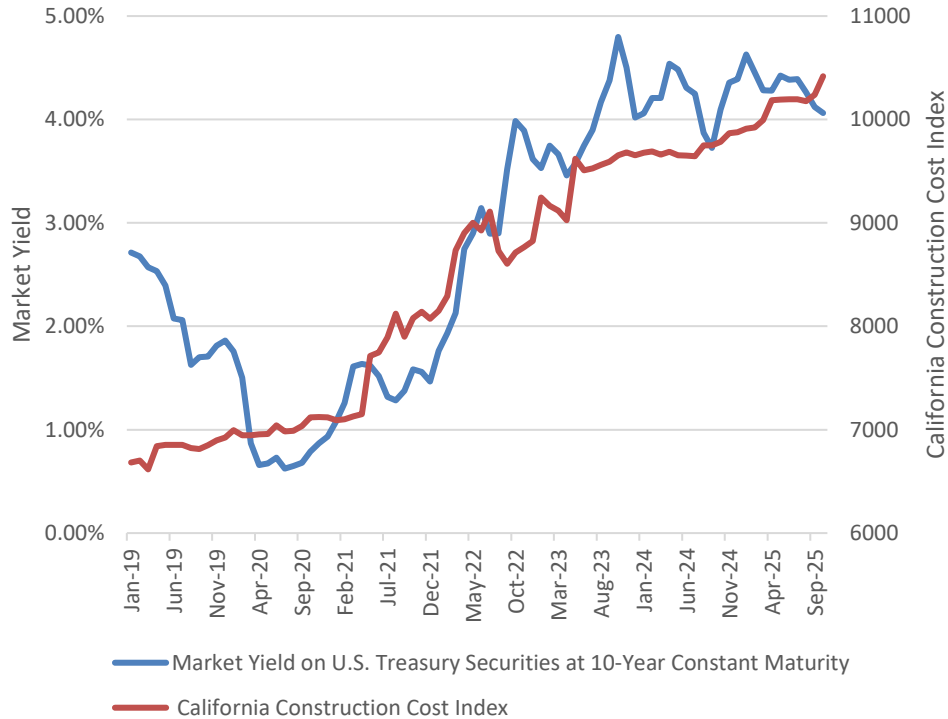
Impact of Macroeconomic Factors outweighs fee reductions

- While the fee reduction program aimed to stimulate growth, several significant market pressures hindered development project feasibility during this time. Rising costs for labor, materials, and interest rates created substantial financial hurdles for developers. Concurrently, a decline in rental rates and condominium prices reduced potential project revenue, further impacting viability. These combined factors challenged the financial viability of housing production and fee revenue, likely offsetting the intended benefits of the fee reductions.
- Exhibit M shows the rising California Construction Cost Index (CCCI) from January 2022 to December 2025. The CCCI is a weighted average of building costs in San Francisco and Los

⁴ This calculation is for illustrative purposes only and does not represent an actual project's real discounts. The assumptions used are not representative of an actual project and used a lower-bound estimate for total construction costs, therefore likely understating the fee burden relative to a more typical project. Nonetheless, the overall savings rate is illustrative of the order of magnitude of the fee reduction.

Angeles and tracks the costs of construction trade labor and materials (such as steel, cement, and lumber).

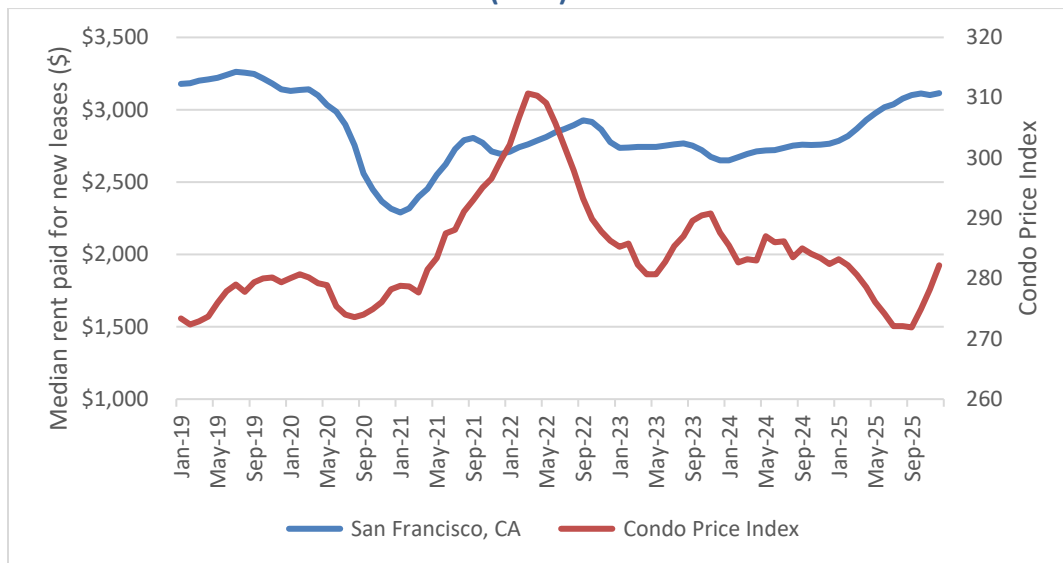
Exhibit M: California Construction Cost Index vs. Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity* (2019-2025)



- Rents in San Francisco, while recovering, remained below their pre-pandemic peak through 2025, as shown in Exhibit N below. According to data from Apartment List, the average cost for a one-bedroom apartment in San Francisco County dropped from \$3,212 in 2019 to \$2,595 in 2021. Average rents reached \$2,995 in 2025 and by January 2026 were nearing the pre-pandemic peak, averaging \$3,164.⁵ Depressed market-rate rents make construction projects less feasible when costs exceed what can be earned by the project revenues, an increasing issue in a market with rising construction and labor costs.
- As of May 2026, this situation may be changing as numerous media outlets reported a surge in San Francisco rents attributed to growth in artificial intelligence businesses in San Francisco. While it may be too soon to draw conclusions, other factors still appear to be dampening housing production.

⁵ Apartment List, "Data & Rent Estimates," Apartment List, <https://www.apartmentlist.com/research/category/data-rent-estimates>.

Exhibit N: Rent in San Francisco (1 BR) vs. Condo Price Index* 2019-2025



- In conclusion, the decline in funding for affordable housing revenue is likely driven less by recent changes to City fees and inclusionary housing requirements than by broader market conditions. Fee discounts did not make projects feasible at scale, consistent with the full scope of fees projects still must pay.
- A policy decision for the Board of Supervisors to consider is whether to continue the discount program temporarily or permanently, and whether to reinstate the fees in the future when macroeconomic factors are more favorable to development. In the meantime, the City is losing out on a small amount of affordable housing funding, that would return to greater amounts when and if housing production resumes to previous levels. If fees are not maintained, the City would lose a source of affordable housing funding as well as funding to cover other City impacts associated with development (e.g., transit impacts, childcare impacts, etc.). One option would be to maintain the fees and requirements but place a moratorium on them and make adjustments as economic conditions change.

Temporary Fee Reduction Program Impact Recommendations

The Board of Supervisors should:

- 2.1 Consider amending the Administrative Code provisions regarding the Inclusionary Housing Technical Advisory Committee's duties to include policy levers beyond inclusionary rates so the Committee can develop recommendations that holistically promote project viability while maximizing affordable housing resources.
- 2.2 Consider imposing longer term temporary deferrals or moratoriums in inclusionary housing requirements and development impact fees when economic conditions warrant but retaining the ability to reinstate them when they are found

to not have an adverse impact on resources for affordable housing and other City purposes.

- 2.3 Request that City staff improve tracking and reporting of development impact fee collections to better measure the impact of inclusionary/development impact fee discount and deferral programs and for greater data consistency between City agencies that collect and report on impact fee revenues.

3. Summary: Financing Strategies

- As shown in Exhibit O the level of City needed to fund the affordable units still required by RHNA to be added to the City's housing inventory by 2031 is \$17.9 billion based on an average cost per unit of \$900,000 and average City subsidies for affordable housing ranging from \$405,000 to \$490,000.

Exhibit O. Estimated Public Funding Needed to Meet RHNA Goals through New Construction by 2031

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

Source: Subsidy estimates from MOHCD. Assumes average cost per unit of \$900,000.

- Current affordable housing funding strategies provide for affordable housing production every year, but the funding is not sufficient to meet the City's needs and most sources are not permanent.
- We have not identified a funding source or strategy that would produce \$17.9 billion in funding between now and 2031, but there are some tools and approaches that we conclude could result in an enduring substantial increase in funding for affordable housing.
- Most of the options we have identified, apart from new taxes, involve tradeoffs in which the City would forego some current or future resources by making a commitment to substantial and, in some cases, ongoing funding for affordable housing. Other than the City's commitment to an annual allocation to the Housing Trust Fund, currently \$52 million per year, such a commitment has not been made to date so this would represent a change in policy for the City. However, as evidenced in the housing data presented above and input from key stakeholders, the absence of a sustained, substantial commitment to affordable housing has left the City with a significant deficit in its affordable housing inventory and production relative to need. Further, as detailed below, a number of our

options involve initial investments of City staff time and funding to implement the alternative, with financial self-sustainability achieved over time.

Financing options presented in this report:

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

Each option is summarized in the following table.

Exhibit P. Summary of Affordable Housing Financing Options for Consideration

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
Revolving loan fund	Fund could be capitalized through bonds, then loaned out to mixed-income project developers for short-term (e.g., 5 years) to replace higher interest construction loans, thus lowering costs of affordable housing projects. When construction is complete and loans paid off, funds revolve to another project. City assumes an ownership role through	Montgomery County Maryland revolving loan fund began with \$100 million and forecasts leveraging 10 times over and 6,000 housing units within ten years. A mixed-income model is needed for financial feasibility but could be	Initial funding would be from bond issuances. To achieve greater affordability, debt service on bonds could be paid by City for a limited duration such as 20 years (Montgomery County model)	Yes, over time as funds are recycled, fund should become self-sustaining.

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
	financed projects, ensuring long-term affordability.	difficult to attract middle income households to publicly owned housing.		
Joint powers authority	A new entity is created through a merger of agencies such as MOHCD and the Housing Authority. They would pool resources of the two agencies, would have bonding authority independent of City debt limit, and housing developed and owned by the JPA would not be subject to property tax. Mixed-income projects would be most feasible.	A new flow of funds separate from sources typically used by MOHCD (could house revolving loan fund). Property tax exemption for housing developed and owned by JPA would potentially reduce property tax revenue that would otherwise flow to City. Some JPAs in California have suffered from lack of oversight and accountability.	Costs and administrative work stemming from launching new entity would need to be covered by the City, City staff, or some other source.	Should become self-sustaining over time.
Open indenture	A separate entity would be created with the ability to issue multiple bonds on an “open” pooled basis to fund multiple projects, unlike current conduit financing for specific projects. Bonds would be guaranteed by a combination of the issuer’s assets and multiple revenue streams. This approach would give the issuing entity more flexibility in how funds are used.	Would have more flexibility with funds and could fund a wider variety of projects simultaneously and over time. Could issue additional bonds over time without processes required for standard City bond issuances. Requires highly skilled staff to structure bonds due to multiple loans with varying terms. Additional payoff and additional risk with this approach.	Many administrative issues to attend to for launching this: staff and analyses needed to assess feasibility and plan for this approach. A contribution of City or other external funds to launch the program.	Open indenture results could be expedited with contribution of public funds at least initially if not over time. However, open indenture programs such as New York

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
		Resources would be needed for insurance and legal expenses.		City's are financially self-sustaining.
Municipal Bank	An entity separate from the city that would operate like a traditional bank but would reinvest all profits into new lending towards priority investment areas such as affordable housing. This would mean low costs loans could be made to achieve certain public policy goals such as affordable housing. Initially, the City's public bank consultant recommends a non-depository municipal financial corporation to make loans for causes such as affordable housing. As loans are repaid and assets grow, could convert to full public bank.	Start-up would require an investment of staff time, legal and financial advisors to create a viable banking/municipal finance corporation operation. Once established, it could be an ongoing source of low interest funding for affordable housing.	Yes, initial capital would be needed to start this institution and some combination of City, Community Development Financial Institutions, and philanthropy would be needed to launch this organization. City's public bank consultant recommends a \$40 million City investment to launch: \$20 million in year 1, and \$10 million each in years 2 and 3, with another \$50 million raised from other sources.	Over time, a public bank should be self-sustaining, like any private sector bank. Though there may be others, the Bank of North Dakota is the best known successful state-owned public bank, in the U.S.
Additional Enhanced Infrastructure Financing Districts (EIFDs)	The City designates a certain geographic area for affordable housing and other improvements and the incremental property tax generated by the area that would have otherwise flowed to the City General Fund is diverted for the improvements.	Total annual debt payment across all City EIFDs cannot exceed five percent of the City's total annual property tax revenue and there are already several EIFDs in the City accounting for most of that debt capacity.	The City would be investing in affordable housing if additional EIFDs are created with the incremental property tax from the District redirected from the General Fund.	An EIFD should be self-sustaining but with tax increment funds that otherwise would have flowed to

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
				the City's General Fund.
Leverage SB 593 Bonding Authority	State law now allows the City's Office of Community Investment and Infrastructure (OCII) to use property tax increment funds to cover the costs of 5,842 replacement housing units for those lost as a result of redevelopment. OCII is preparing a bond issuance for this initiative.	This would redirect property tax increment to development of affordable housing to replace housing lost through redevelopment efforts of past years. The funds could be directed to housing including for very low income households. A projected \$76 million will be available in FY 2026-27 and \$500 million through FY 2026-37	The City would forego property tax revenues from the designated areas. However, this funding is due to households displaced by redevelopment in the past.	This dedicated source of funding should cover this affordable housing.
Direct Prop I-Generated Revenue to Ongoing Social Housing Funding	Proposition I passed by the voters in 2020 increased the City's transfer tax on high value real estate transactions as a general tax, available for any General Fund purpose. Proposition K, also passed in 2020, authorized the City to own, develop, construct, acquire or rehabilitate up to 10,000 units of low-income rental housing. A resolution passed by the Board of Supervisors in November 2020 created the Housing Stability Fund and called for the new revenues to be used for social housing. With projected Proposition I-generated revenues of more than \$110 million per year, the Board of Supervisors	Passed as a general tax, there is no legal mandate for Proposition I-generated revenue to be used for social housing or other affordable housing purposes. However, Proposition K and the Board of Supervisors' November 2020 resolution are indicators of policy intent for these funds to be used for affordable housing related purposes.	City funding may be required to create an administrative structure for a social housing program, particularly if that entails the City owning and operating newly created social housing. A decision would need to be made about whether Proposition I-generated revenues should be used for that purpose.	Other than the possible new City costs associated with owning and operating new social housing development, the projects should be self-sustaining with the combination of

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
	could advocate for this funding to be used for social housing, consistent with prior legislation.			Prop. I-generated revenue and rental income.
Raise the City Debt Ceiling for Affordable Housing	Current City policy sets a debt limit for General Obligation bonds of 0.1201 percent of assessed value, or \$120.10 per \$100,000 of assessed value. The City's Capital Planning Committee estimates that the City will approach the 2006 property tax rate by FY 2031-32. Raising the debt limit for affordable housing could provide an additional \$410 million in debt principal for every .01 increase in the debt limit. Similarly, Certificates of Participation debt is currently capped in the Administrative Code at 3.25% of General Fund discretionary revenue. Increasing this cap for affordable housing could provide an additional \$128 million in debt capacity for every 0.25 percent increase in the cap.	Raising the City's debt limit for affordable housing would increase funding available for that purpose. It would also reduce City funds now available for general City purposes since property tax revenue would be needed to cover expanded debt service. Increasing the City's debt could cause a reduction in the City's credit ratings which could translate into higher interest payments on debt.	Other than diverting City General Fund monies to new debt service related costs and a possible increase in interest payments if the City's credit ratings are reduced, no further City funding should be needed to implement this alternative.	The additional debt capacity could be used on an ongoing basis to add more resources for affordable housing with no costs beyond those typically incurred with debt issuances.
Enhance Housing Trust Fund Allocation	Established by a ballot initiative approved by the voters in 2012, the Housing Trust Fund currently provides approximately \$52 million per year from the General Fund for affordable housing. A new ballot initiative has been proposed calling for the annual allocation to be increased to \$125 million per year and increased or decreased each year at the	This proposed change would potentially more than double funding available for affordable housing. It would redirect General Fund monies that could be used for other City purposes to affordable housing.	This would not require other City funding beyond the amounts that would be allocated to affordable housing.	The proposed initiative calls for sunseting this Housing Trust Fund allocation in 2058. Until then, it would provide

Approach	How it works	Potential Benefits/Challenges	City funding/resources required	Self-sustaining potential
	same rate as the change in General Fund discretionary revenue.			additional stable, predictable funding for affordable housing every year.

- In addition to the various options listed 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

- In addition to the financing tools and enhanced or new taxes identified above, the Board of Supervisors could also advocate for the following in the interest of increasing affordable housing:
 - Continue to Pursue Local and Regional Bonds
 - Continue Advocacy Efforts
 - Continue Efficiency Efforts

Financing Strategies Recommendations

The Board of Supervisors should:

- 3.1 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*.

- 3.2 To help determine which if any of these options should be pursued, request staff input on the details of the costs for the City launching one or more of the following instruments to generate funding for affordable housing: a revolving loan fund, a joint powers authority, an open indenture program, and a municipal bank.
- 3.3 To allow for greater use of Enhanced Infrastructure Financing Districts to generate more affordable housing, consider increasing the City's debt limit for these districts from the current five percent of the City's annual property tax revenues.
- 3.4 Request that the Office of Community Investment and Infrastructure report back to the Board of Supervisors on its plan for financing and developing up to 5,842 eligible affordable housing units to replace those lost through redevelopment-related displacement in previous decades.
- 3.5 To increase social housing in San Francisco, advocate for an ongoing allocation of Proposition I-generated revenue for social housing or other affordable housing approaches.
- 3.6 Consider increasing the City's debt limits for General Obligation bonds and Certificates of Participation with the additional bonding capacity dedicated to affordable housing.
- 3.7 Consider supporting the proposed ballot initiative that would increase the annual allocation from the General Fund to the City's Housing Trust Fund from the current approximately \$52 million to a proposed \$125 million.
- 3.8 Consider increases to various City taxes with the proceeds dedicated to affordable housing.

4. Summary: Equity Gaps and Opportunities

- Current affordable housing systems in San Francisco address the unique housing needs of a number of groups though there are still groups that report their housing needs are not addressed by the current system.
- The City's efforts to address at least the following vulnerable groups' housing needs are well documented and 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
- The results of City efforts to address a number of other vulnerable groups' housing needs are not as transparent even though efforts may be underway.
- MOHCD conducted extensive outreach efforts to hear from various subgroups and vulnerable populations about their housing needs in 2018 and 2019 to inform the subsequent Housing Element update. This input was incorporated in numerous housing equity goals and action items in the Housing Element 2022 update and the Family Zoning Plan.
- Progress on these equity action items are submitted annually to California Department of Housing and Community Development (HCD) as part of the City's Annual Progress Report. Though the report is available to the public on HCD's website, its format is an Excel spreadsheet with over a thousand entries that include technical terminology. This limits its accessibility for members of the public seeking to understand progress. Advocates have raised concerns that it is not clear how these actions are prioritized, and that the process lacks a public-facing or participatory component.
- MOHCD has a number of planning and engagement tools that include plans and initiatives to address the housing needs of vulnerable populations, including:
 - Five-Year Consolidated Plan
 - Consolidated Annual Performance and Evaluation Report (CAPER) – A HUD-mandated annual report detailing MOHCD's activities.
 - Analysis of Impediments to Fair Housing Choice – A HUD-mandated report produced every five years assessing barriers to housing and identifying goals and strategies to overcome these barriers.
 - HIV/AIDS Housing Plan – A five-year plan to provide stable housing for people living with HIV/AIDS
- Tracking the results of actions on the City's goals and initiatives regarding housing equity issues and vulnerable populations in the various MOHCD documents is not transparent for the public and City officials. The Analysis of Impediments report contains discussions of specific populations, but it is only produced every five years. In its 2025 report, MOHCD reported progress or completion on many of its goals.
- Exhibit Q below identifies groups housing impediments unique for each group as identified by MOHCD. As can be seen, there are numerous issues concerning not only the quantity but the configurations of affordable housing developments to make them more

accommodating for certain groups (e.g., people with disabilities needing a second bedroom for a live-in caretaker).

- Interviews with housing providers and advocates conducted for this report confirmed many of the concerns identified in the MOHCD documents and added the need for safe housing for women, particularly for survivors of domestic violence, and the shortage of housing for Extremely Low-Income households. As seen in Exhibit Q, women, survivors of violence, and extremely low-income individuals are not included as one of MOHCD's specific populations within its impediments report. As shown, MOHCD has substantial insight on unmet need for a large set of vulnerable groups.

Exhibit Q: MOHCD Impediments Report Findings for Specific Populations

Population	Population-Specific Housing Service Needs
LGBTQ+	Focus groups with the LGBTQ+ community highlighted concerns for LGBTQ+ individuals experiencing homelessness. The most frequently discussed need was for safe shelters and transitional housing, with an emphasis on safe environments for transgender individuals.
Seniors and people with disabilities	A need for housing for seniors and persons with disabilities was mentioned in nine out of 10 community forums and multiple focus groups. The most commonly specified needs were for affordable housing and housing that meets the access needs of seniors and persons with disabilities, including accessible housing for families with children who have disabilities. Some individuals commented that they perceived ageism on the part of some landlords and are afraid to ask for modifications to units for fear of eviction or displacement.
Immigrant communities	Immigration status was mentioned as a barrier to obtaining housing or other services. Specifically, participants noted that for individuals/families that are undocumented, it is more difficult to find housing, and there are rental assistance programs and emergency assistance/funds for which they are not eligible.
Persons living with HIV	Persons living with HIV and HIV providers pointed out several characteristics that can improve the housing environments for persons living with HIV, including safety, quiet, personal outdoor space, having a liaison between building management and tenants, and management being respectful and knowledgeable about HIV.
Transitional Age Youth (TAY)	Community members in seven of the 10 forums raised a need for more youth services. In terms of housing, they recommended affordable housing assistance for transitional age youth (TAY), particularly for homeless TAY and TAY who are in school.
Residents in public and subsidized housing	These focus groups conveyed the highest number of needs out of all forums and focus groups. In these focus groups, the most commonly mentioned need was for mental health services, followed by needs for accessible transportation, employment, and food access. This group was the only forum or focus group in which food access was one of the five most frequently mentioned needs. Other top needs among participants included employment training, financial planning and education services, health and wellness services, senior and disability support, and overall knowledge of available services.

Individuals experiencing homelessness	By far the most frequently mentioned need was for case management. The next most frequently mentioned needs were for employment support and training, financial assistance including rental assistance and subsidies, and supportive housing.
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- 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.

Equity Gaps and Opportunities Recommendations

The Board of Supervisors should:

- 4.1 Request that staff prioritize Extremely Low-Income (ELI) housing in funding allocations.

The City should assess opportunities to prioritize or dedicate new funding sources to this group and their unique needs. This could include earmarking funds from the Housing Trust Fund, or creating an inclusionary “floor” that establishes that while moderate- and low-income unit requirements may fluctuate with economic viability, a certain number of extremely low-income units should be required.
- 4.2 Request that staff create a formal framework to track progress in meeting equity goals.

To strengthen accountability, MOHCD should propose a formal, transparent framework for tracking and reporting progress on impediments at a more regular cadence. We suggest that MOHCD propose an approach to the Board of Supervisors to communicate its work and progress to the public that does not create a significant new reporting burden.
- 4.3 Request that staff prepare a follow up on recommendations with no or limited progress reported in the MOHCD Impediments Report and any other documents and request follow-ups on incomplete solutions to identified impediments.
- 4.4 Request information from staff on resources needed to address population-specific impediments identified in MOHCD reporting.

The Board of Supervisors should request that MOHCD and other relevant City staff identify what resources would be required to improve outcomes, including benchmarks and an implementation timeline. Women’s unique affordable housing needs, particularly survivors of domestic and other forms of violence, and extremely low-income households should be incorporated.

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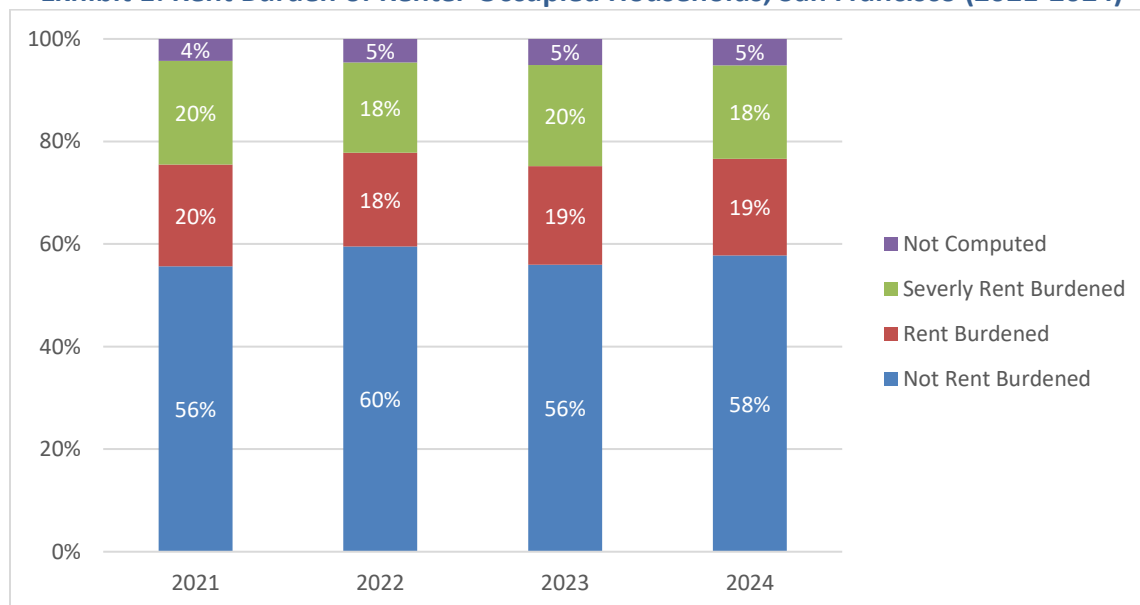
1. Introduction

Data from the Council for Community and Economic Research ranked San Francisco as the sixth most expensive city in the United States in January 2026.⁶ The City's high costs, especially housing, threaten residents' ability to afford rent, maintain housing stability, and remain in their communities.

Defining Affordability

The U.S. Department of Housing and Urban Development (HUD) defines housing as "affordable" if a household spends no more than 30 percent of its gross monthly income on rent and utilities.⁷ This standard is designed to ensure that households have sufficient remaining income for other essential expenditures like food, healthcare, and transportation. In 2024, approximately 37 percent of San Francisco renter households were considered rent burdened or severely rent burdened. Of these, 19 percent were rent burdened (spending over 30 percent of income on rent), and 18 percent were severely rent burdened, spending more than half of their gross income on housing.⁸

Exhibit 1: Rent Burden of Renter-Occupied Households, San Francisco (2021-2024)



Source: U.S. Census Bureau. "Gross Rent as a Percentage of Household Income in the Past 12 Months." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B25070

The City's goals to increase market rate and affordable housing supply are shaped by the State's Regional Housing Needs Allocation (RHNA), which mandates that San Francisco must create zoned

⁶ "New report confirms that San Francisco is expensive — but San Jose is worse," *The San Francisco Standard*, January 30, 2026, <https://sfstandard.com/2026/01/30/san-francisco-cost-of-living-2026/>

⁷ "Glossary of Terms to Affordable Housing," U.S. Department of Housing and Urban Development, <https://archives.hud.gov/local/nv/goodstories/2006-04-06glos.cfm>

⁸ U.S. Census Bureau. "Gross Rent as a Percentage of Household Income in the Past 12 Months." American Community Survey, ACS 1-Year Estimates Detailed Tables, Table B25070

capacity and ease governmental constraints to facilitate construction of 82,069 new housing units by 2031, or 94,300 including a recommended 15 percent buffer.⁹ Of those total units, 46,598 are to be designated as affordable housing: 20,986 units for very low-income households, 12,014 units for low-income households, and 13,717 for moderate income households by 2031.

About nine percent of San Francisco’s housing stock is subsidized affordable housing, which the Planning Department reports is high compared to many U.S. cities. Compared to some cities outside the U.S. that have invested in public housing such as Vienna and Singapore, the rate is low. The vast majority of low- and moderate-income residents do not live in a subsidized unit. They find affordable options on the private, unsubsidized market. “Naturally affordable” or more affordable housing, such as ADUs, SROs, rent controlled units, units with roommates, etc., is where most low- and moderate-income people live. “Affordable housing” is deed-restricted housing that requires affordability for residents. Many of these units rely on public funding to keep housing costs below market rates, although some units, such as units made affordable through San Francisco’s inclusionary housing requirements for market rate development, are deed restricted without public funding.

This report analyzes San Francisco’s affordable housing delivery system and funding sources to identify how the City can produce more affordable housing with stable and ongoing funding sources. We begin with a portrait of how the affordable housing system operates, detailing the City’s current affordable housing portfolio and pipeline, the demographics of residents served, and the funding sources that support production, preservation, and maintenance of affordable housing in San Francisco. Next, we assess the system’s limitations and barriers. This assessment accounts for the shifting economic and legislative landscape, specifically analyzing how recent reductions in market-rate housing production have resulted in lower production of inclusionary units and impact fee revenue, and how that affects the City’s ability to meet its ambitious RHNA targets. Finally, we identify options for new revenue streams, with the aim of identifying sources that could reduce the City’s reliance on volatile funds or one-time bonds, while incorporating equity-centered strategies to ensure that affordable housing delivery remains responsive to the neighborhoods and communities.

The technical definition of affordable housing, in which the occupant pays no more than 30 percent of gross income on housing costs, shapes how affordable housing is planned for, built, and financed.¹⁰ The City operationalizes the definition through Area Median Income (AMI) tiers. The Area Median Income (AMI) is the combined average gross (pre-tax) household income for the San Francisco Metropolitan Area. AMI tiers are used to determine which households may qualify for different affordable housing programs and rent levels. Extremely Low Income generally refers to households earning less than 30 percent of AMI, Very Low Income to households earning 30 to 50 percent of AMI, Low Income to households earning 51 to 80 percent of AMI, and Moderate Income

⁹ Failure to demonstrate that San Francisco has created capacity to meet the RNA jeopardizes its local control over zoning as well as State funding.

¹⁰ National League of Cities, “What Is Affordable Housing?,” January 8, 2024.

<https://www.nlc.org/article/2024/01/08/what-is-affordable-housing/>

to households earning 81 to 120 percent of AMI. Exhibit 2 below summarizes AMI tiers for 2025 by household size:

Exhibit 2. Income Limits by AMI & Household Size in San Francisco, 2025

Category	Maximum AMI	Household Size		
		1 Person	2 Person	4 Person
Extremely Low Income	30%	\$32,750	\$37,400	\$46,750
Very Low Income	50%	\$54,550	\$62,350	\$77,950
Low Income	80%	\$87,300	\$99,750	\$124,700
Moderate Income	120%	\$130,900	\$149,650	\$187,000

Source: Mayor's Office of Housing and Community Development, 2025 Area Median Income (AMI) Income Limits: San Francisco Housing Market Area, City and County of San Francisco, 2025.

The Urban Institute published a brief in 2023 finding that since AMI is based on prior-year survey data and inflation adjustments, it can be higher or lower than actual median income depending on how wage growth compares with inflation. It also found that in programs like San Francisco's that use AMI to set both eligibility thresholds and rent limits, increases in AMI can expand the number of households that qualify while also raising the rents charged in income-restricted units.¹¹

The lower the income level targeted, the more public funds are required and the greater the funding gap becomes. If a one-person household earns 30 percent of AMI, or \$32,750, then a unit is affordable to them only if it is priced at \$935 per month including utilities.¹² Exhibit 3 below shows rents for different AMI bands.

Exhibit 3: Maximum Monthly Rent* by AMI, 2025

Category	Max AMI	Max Rent (incl. Utilities)				
		SRO	Studio	1 BR	2 BR	3 BR
Extremely Low Income	30%	\$614	\$819	\$935	\$1,053	\$1,169
Very Low Income	50%	\$1,023	\$1,364	\$1,559	\$1,754	\$1,949
Low Income	80%	\$1,125	\$2,183	\$2,494	\$2,805	\$3,118
Moderate Income	110%	\$2,250	\$3,000	\$3,429	\$3,858	\$4,286
Middle Income	130%	\$2,660	\$3,546	\$4,053	\$4,559	\$5,065

Source: MOHCD Income and rent limits for inclusionary rental units 2025¹³

* Tier 2 With Utilities (landlord pays for utilities)

¹¹Daniel Teles, Yipeng Su, and Alyse D. Oneto, "Calculating AMI: How Calculation of Area Median Income Affects Housing Policy" (Urban Institute, September 7 2023)

https://www.urban.org/sites/default/files/2023-09/Calculating%20AMI_0.pdf

¹² Mayor's Office of Housing and Community Development, 2025 Maximum Income by Household Size, City and County of San Francisco, 2025. https://media.api.sf.gov/documents/2025_AMI-IncomeLimits-HMFA_08Rw8dU.pdf

¹³ Mayor's Office of Housing and Community Development, 2025 Maximum Monthly Rent by Unit Type, City and County of San Francisco, 2025. https://media.api.sf.gov/documents/2025_AMI-RentLimits-HMFA-ForHBMR.pdf

“Deeply Affordable” units (those for very low-income residents) require significantly higher subsidies to ensure the development remains financially stable.

Current Affordable Housing Landscape

The City produces different types of affordable housing to serve different populations, and each type has different financing and management approaches.

- **Below Market Rate (BMR) units as part of market-rate projects.** One way the City generates affordable housing is requiring it as part of market rate projects of ten or more units, called its Inclusionary Housing Program (or "Below-Market-Rate Program"). The Mayor's Office of Housing and Community Development (MOHCD) reports 4,476 total rental and ownership units from the Inclusionary Housing Program in its portfolio as of February 2026.¹⁴
- **New 100 percent affordable housing.** Another major way the City produces affordable housing is through construction of new all-affordable buildings. These may be financed through grants, loans, and other public and private sources that are often unique to affordable housing developers. The City provides loans that account for on average 37 percent of many projects.¹⁵ MOHCD reports 27,505 100 percent affordable units in its portfolio as of February 2026.¹⁶ These units serve a range of AMI levels as well as select populations. The portfolio of new construction 100 percent affordable housing includes 1,354 public housing replacement units through the HOPE SF initiative. Through this initiative, San Francisco is rebuilding four of its former public housing sites (Hunters View, Alice Griffith, Potrero Terrace, and Sunnysdale) into mixed-income communities. By replacing 1,900 distressed public housing units with over 5,300 new homes, the program will combine market-rate units with highly subsidized units and social supports.¹⁷ Other specific programs categorized as 100 percent affordable in MOHCD's portfolio include Assisted Living, Multifamily Rental Program, Rental Assistance Demonstration (RAD) Program, and the Transitional Program.
- **Permanent Supportive Housing (PSH)** refers to long-term, subsidized housing paired with on-site supportive services specifically for people coming out of homelessness. In San Francisco, these supportive services are provided by non-profit providers funded by the Department of Homelessness and Supportive Housing (HSH) and are available to populations served in PSH including: older adults, veterans, Transitional, Age Youth, families and adults. HSH reports 14,971 units in its Inventory of Housing Resources,

¹⁴ Mayor's Office of Housing and Community Development, "MOHCD Affordable Housing Portfolio," DataSF, last modified February 4, 2026, City and County of San Francisco. https://data.sfgov.org/Housing-and-Buildings/Mayor-s-Office-of-Housing-and-Community-Development/pyxv-n29e/about_data

¹⁵ San Francisco Planning Department, *Affordable Housing Funding, Production, and Preservation*, City and County of San Francisco, 2020. https://default.sfplanning.org/plans-and-programs/housing/affordability-strategy/HAS_Affordable%20Housing%20White%20Paper_Final.pdf

¹⁶ Mayor's Office of Housing and Community Development, "MOHCD Affordable Housing Portfolio," DataSF, last modified February 4, 2026, City and County of San Francisco. https://data.sfgov.org/Housing-and-Buildings/Mayor-s-Office-of-Housing-and-Community-Development/pyxv-n29e/about_data

¹⁷ HOPE SF, <https://www.hope-sf.org/>

including 12,298 PSH units (both site-based and scattered-site) and 2,673 rapid re-housing and housing ladder units.¹⁸ HSH-funded PSH is largely privately owned, master-leased, and typically distinct from the MOHCD portfolio, but some overlap occurs when PSH sites or units are part of the City's affordable housing pipeline.

- **Preservation and rehabilitation.** The City works to protect the existing affordable housing stock. It invests in maintenance and improvements to its existing portfolio, and financing the acquisitions and necessary rehabilitations of market-rate units and converting them into permanently rent-restricted affordable housing. As of March 2026, MOHCD reports 1,454 units acquired and preserved through its acquisition/preservation programs, including the Small Sites program, and properties acquired by leveraging state Homekey funds.¹⁹ The City also supports the rehabilitation of the existing affordable housing portfolio through Existing Nonprofit (ENP) funds and staff assistance to those applying for tax credits and bonds.
- **Unsubsidized affordable housing/“Naturally-occurring” affordable housing.** These are privately-owned units that do not require a public subsidy to be affordable. The Planning Department includes unsubsidized units in counts of affordable units generated in its Housing Inventory Report, categorized as “Naturally Occurring Affordable Housing”. For example, it tracks Accessory Dwelling Units (ADUs) as part of its count for affordable units in the City, as allowed by state housing element law,²⁰ reporting 1,354 ADUs added from 2021 to 2025.²¹ Since these units are not income-restricted, the Planning Department relies on an ADU affordability analysis conducted by the Association of Bay Area Governments that estimated that 90 percent of ADUs are affordable to households earning moderate incomes or below.^{22,23} Rent control is also a tool that helps maintain affordability. Privately owned, naturally-occurring affordable housing units do not appear in the MOHCD portfolio totals.

Several Exhibit 4 below shows the distribution of total project units in MOHCD's portfolio, summarized by MOHCD housing program.

¹⁸ San Francisco Department of Homelessness and Supportive Housing, “Housing Inventory,” SF.gov, <https://www.sf.gov/data-housing-inventory>.

¹⁹ MOHCD, “Mayor's Office of Housing and Community Development Affordable Housing Portfolio,” DataSF, last modified February 4, 2026, https://data.sfgov.org/Housing-and-Buildings/Mayor-s-Office-of-Housing-and-Community-Developmen/pyxv-n29e/about_data

²⁰ California Code, Government Code sections 66330 and 65583.1

²¹ San Francisco Planning Department, *2025 San Francisco Housing Inventory* (San Francisco, April 2026), 5, https://sfplanning.org/sites/default/files/resources/2026-04/2025_Housing_Inventory.pdf

²² San Francisco Planning Department, *2025 San Francisco Housing Inventory* (San Francisco: San Francisco Planning Department, pub. April 2026), https://sfplanning.org/sites/default/files/resources/2026-04/2025_Housing_Inventory.pdf

²³ Association of Bay Area Governments. (n.d.). “Using ADUs to Satisfy RHNA” <https://abag.ca.gov/sites/default/files/documents/2022-03/ADUs-Projections-Memo-final.pdf>

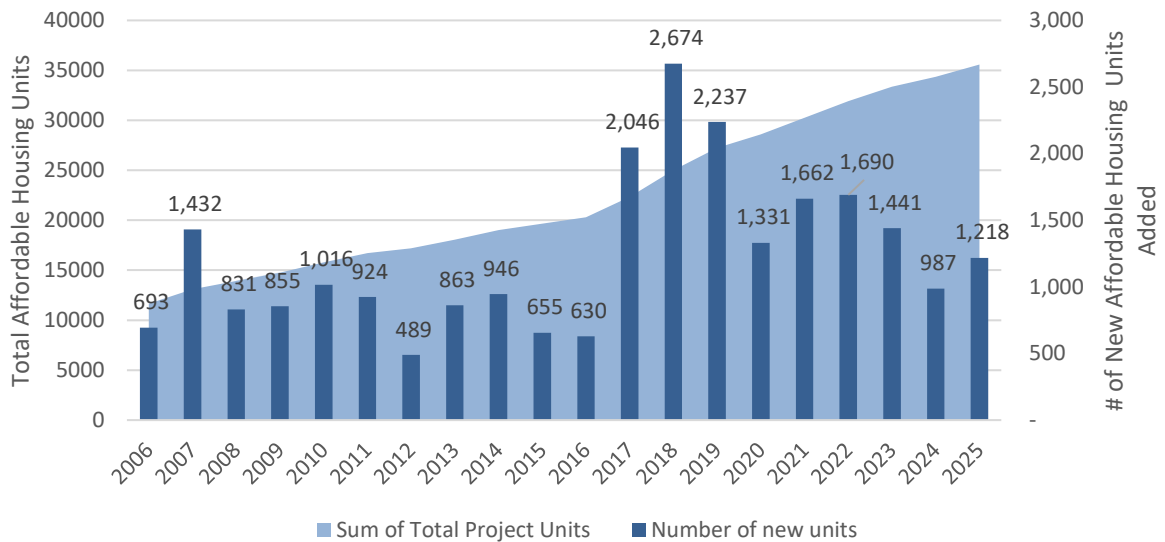
Exhibit 4: MOHCD Affordable Housing Unit Portfolio, 2026

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

Source: Mayor's Office of Housing and Community Development, Housing Portfolio (March 2026)

The City of San Francisco tracks the total number of housing units in the City and a growing portfolio of affordable units, as shown in Exhibit 5 below. In 2025, the total housing stock was 422,958 units.

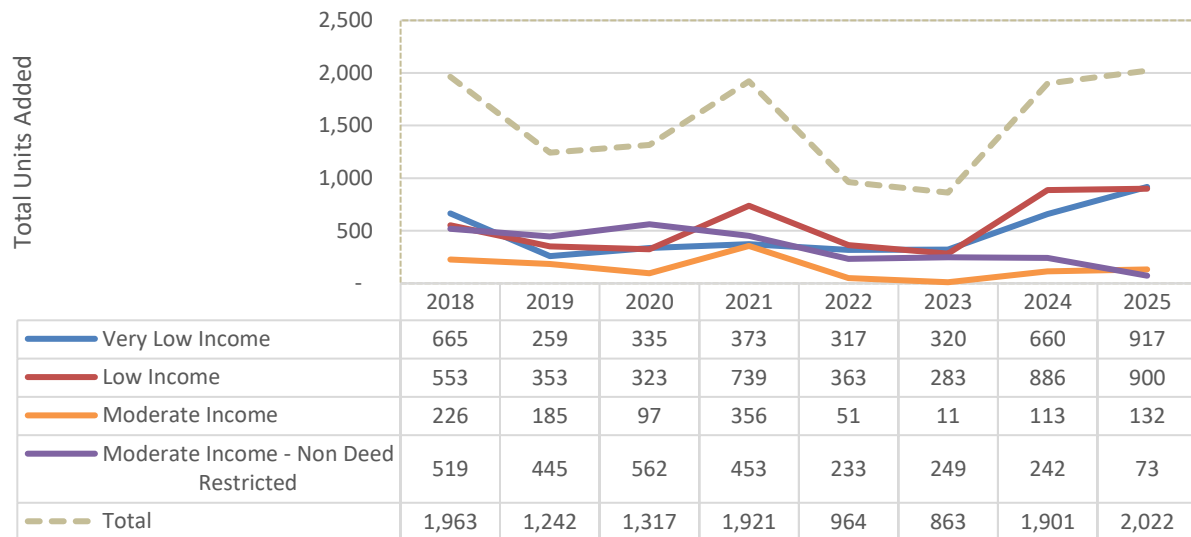
Exhibit 5: MOHCD Affordable Housing Portfolio Growth Since 2006



Source: MOHCD Portfolio, DataSF

As of February 2026, the Mayor’s Office of Housing and Community Development (MOHCD) manages 36,301 units, representing approximately 8.6 percent of San Francisco’s total housing stock. However, a significant portion of affordable housing in San Francisco falls outside MOHCD’s portfolio, including HUD- or privately- funded affordable housing, much of Permanent Supportive Housing (PSH), and naturally occurring affordable housing. Exhibit 5b below captures a broader picture of affordable housing growth, showing the units added between 2018 and 2024, as reported in the Planning Department’s Housing Element Annual Progress Report (APR). These figures include a wider range of affordable housing types, such as ADUs and other non-MOHCD units, but exclude PSH and most naturally-occurring affordable housing.

Exhibit 5b: Affordable Housing Units Added by AMI, 2018-2025



Source: Housing Element Annual Progress Report (APR), California Department of Community Development

Differences between Exhibit 5 and Exhibit 5b reflect distinct tracking approaches: MOHCD data include preservation and RAD project units, while data in the Housing Element Annual Progress Report are limited to units that count toward RHNA targets. In addition, departments differ in when units are considered complete and entered in their databases.

Recognizing that MOHCD, Planning, and HSH provide detailed but separate reporting, and that MOHCD-funded units are already reported by program, the City would benefit from coordinating across departments to maintain a single, comprehensive database of current affordable housing units by program. This would enable policymakers and the public to better understand the City's affordable housing stock and how diverse programs serve residents across income levels.

Housing Production in San Francisco

As shown in Exhibit 6 below, 2025 saw 2,669 net new units added to the City's total housing stock: 26 percent lower than the 10-year average of 3,620 per year. Of the total, 66 percent, or 1,758 units were affordable, above the five-year average of 1,128 per year. Of subsidized units, 86 percent were affordable to extremely low-, very low-, or low- income households. The total of 2,669 net new units was achieved through 2,406 units in new construction projects plus 276 units created through expansion or alterations. The City lost 13 housing units in 2025 through six demolitions and seven alterations.

Exhibit 6. Housing Units Added, by Income Level, 2024 & 2025

Housing Type	Percent AMI	Units Added, 2024	Units Added, 2025
Total Affordable Units Added		1,114	1,758
Extremely Low Income	<30%	100	216
Very Low Income	30-50%	182	801
Low Income	51-80%	327	495
Moderate Income	81-120%	294	45
Moderate Income	Non-Deed-Restricted	211	201
Total Market Rate Units Added		621	924
Total Units Lost (Demolition/Alteration)		-138	-13
Net Total New Units		1,597	2,669

Source: 2024 & 2025 Housing Inventory, SF Planning Department

Despite the growth in housing units shown in Exhibit 6, the City remains behind on its production goals. According to the 2025 San Francisco Housing Inventory report, the City has authorized or otherwise projected a total of 9,581 new units for the 2023-2030 planning period, representing only 12 percent total progress towards RHNA goals as shown in Exhibit 7 below.²⁴

Exhibit 7. 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%

Source: 2025 Housing Inventory Report, SF Planning Department, published April 2026

In addition to the current inventory of affordable units, MOHCD also tracks the number of affordable units in development. These pipeline projects are projects that are pre-construction or in construction but not yet completed. A project enters the pipeline when the site is acquired. As of February 2026, MOHCD and the Office of Community Investment and Infrastructure (OCII) reported 10,148 affordable units in the pipeline.²⁵ Exhibit 8 below shows that 606 of these were related to ownership programs and the vast majority, 9,542, are in rental programs.

²⁴ San Francisco Planning Department, *2025 San Francisco Housing Inventory* (San Francisco, published April 2026), https://sfplanning.org/sites/default/files/resources/2026-04/2025_Housing_Inventory.pdf

²⁵ Separately, the Planning Department reports 17,960 affordable housing units in its pipeline, using a different methodology for defining a pipeline unit. MOHCD's pipeline only includes units that are highly likely to be delivered, whereas Planning's pipeline database is more inclusive of projects at earlier stages of development.

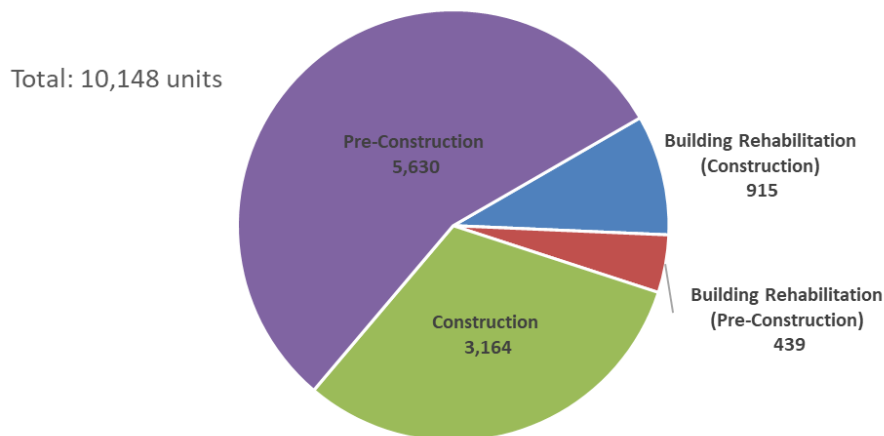
Exhibit 8: MOHCD Affordable Housing Pipeline by Program, as of Feb 2026

Program	Total Pipeline Units
<i>Ownership Programs</i>	<i>606</i>
Inclusionary Housing	441
Inclusionary Housing Program	439
OCII Inclusionary Rental Program	2
Other Ownership Programs	165
BMR-Other	63
Limited Equity Program	102
<i>Rental Programs</i>	<i>9,542</i>
Inclusionary Housing	2,118
Bond Financed Inclusionary Housing	80
Inclusionary Housing Program	1,788
OCII Inclusionary Rental Program	250
MOHCD 100% Affordable (New Development)	6,865
HOPE SF	347
Multifamily Rental Program	6,342
Multifamily Securities Program	140
Transitional	36
MOHCD 100% Affordable (Preservation)	559
HSH HomeKey	230
Small Sites/Acquisitions	286
Supportive Living Preservation Program	43
Grand Total	10,148

Source: Mayor's Office of Housing and Community Development Affordable Housing Pipeline, updated February 4, 2026

Most pipeline units are in the pre-construction phase. Exhibit 9 below shows that 5,630 units, or 55 percent, are in pre-construction, not including building rehabilitation. When including 439 pre-development rehabilitation projects, 60 percent, or 6,069 units are in pre-construction.

Exhibit 9. MOHCD Pipeline by Project Stage, as of February 2026



Source: Mayor's Office of Housing and Community Development Affordable Housing Pipeline, updated February 4, 2026

How San Francisco Plans, Preserves, Funds, and Builds Affordable Housing

San Francisco's FY 2022-2031 Capital Plan highlights affordable housing as one of its eight major infrastructure service areas key to its goal of building a more resilient, equitable, and vibrant future.²⁶ Several departments work on deed-restricted affordable housing in the City, each with a different role:²⁷

- **Mayor's Office of Housing and Community Development (MOHCD)** is the lead agency for affordable housing policy and programs, providing funding for new construction, preservation, and homeownership. It oversees a portfolio of units and helps move a pipeline of projects from conception to construction and ongoing management.
- **San Francisco Housing Authority** delivers both tenant and project-based federal vouchers, manages the voucher waitlist, and oversees the few remaining Public Housing sites.
- **Office of Community Investment and Infrastructure (OCII)** receives and manages funding for new construction in former Redevelopment Areas, including Mission Bay (North and South), Transbay, and Hunters Point Shipyard/Candlestick Point.²⁸

²⁶ City and County of San Francisco, *2023 Ten-Year Capital Plan: Affordable Housing*, One San Francisco, 2023. https://onesanfrancisco.org/sites/default/files/inline-files/06_AffordableHousing_Proposed.pdf

²⁷ Mayor's Office of Housing and Community Development, "MOHCD Overview," PowerPoint presentation presented to the author, San Francisco, California, November 2025.

²⁸ Office of Community Investment and Infrastructure, "Housing Program Goals," Successor Agency to the Redevelopment Agency of the City and County of San Francisco, <https://sfocii.org/housing/housing-program-goals>.

- **Homelessness and Supportive Housing (HSH)** operates rapid rehousing, coordinated entry, HomeKey buildings, permanent supportive housing, rental subsidies and vouchers, and master leased SROs. This report does not focus on HSH housing and funding.

Across these departments, San Francisco facilitates residents' access to affordable housing through many strategies, including but not limited to preservation, rehabilitation, and construction. This section principally reviews the actors involved and the process by which different City departments work together to produce new affordable housing, centering on MOHCD and to a lesser extent HSH.

Planning for all Housing in San Francisco

City planning processes, primarily the 2022 Housing Element update and 2026 Family Zoning Plan, establish the land use and zoning rules that shape future housing development in San Francisco. Though they increase the capacity for more housing, these planning processes do not mandate, fund, or otherwise guarantee new housing development. Rather, they outline where and how much housing can be built in different neighborhoods, shaping how market rate as well as affordable housing stock housing will be developed in the coming decade.

2022 Housing Element Update

California's Housing Element law (Gov. Code §65580 et seq.) mandates that all counties and cities update the Housing Element of their General Plans every eight years.²⁹ San Francisco's 2022 update focused on numerous central mandates as required by state law:

- Ensure sufficient realistic housing capacity to meet RHNA goals
- Affirmatively Further Fair Housing and establish policies and programs that advance racial and social equity
- Advance policies and programs that remove governmental constraints to housing and that encourage housing production

The City translated these goals into action through its 2022 Housing Element and the subsequent 2025 Family Zoning Plan, which was adopted by the Board of Supervisors (Ordinance 010-23) and signed into law in 2023 by Mayor London Breed.

The State's Regional Housing Needs Allocation (RHNA) targets are a critical component of the Housing Element update. The City was responsible for demonstrating that enough sites were appropriately zoned to accommodate its portion of the regional need for both market-rate and affordable housing: 82,069 total and 46,598 for low and moderate income households.³⁰ San Francisco was required to obtain approval from the California Department of Housing and

²⁹ California Government Code, sec. 65581.

https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=65581.&nodeTreePath=12.1.10.11&lawCode=GOV

³⁰ California Department of Housing and Community Development, *AB 686 Summary of Requirements in Housing Element Law*, memorandum by Zachary Olmstead, State of California, April 23, 2020.

https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos/docs/ab686_summaryhousingelementfinal_04222020.pdf

Community Development (HCD), showing that its local policies and site inventory aligned with state-mandated RHNA goals.³¹

Family Zoning Plan (Housing Element Rezoning Program)

The Family Zoning Plan implemented the zoning and regulatory changes needed to realize the goals of the Housing Element. The Plan creates “realistic capacity” for 36,200 new housing units³², as required under state law and for approval by California’s Department of Housing & Community Development (HCD). The definition of “realistic” was developed based on measures of the City’s approval capacity, the number of sites likely to be developed, and financial feasibility of development at a given parcel.³³ The Plan encourages housing near public transit, updates zoning rules to increase height limits (mainly increases of one to four stories on commercial and transit streets), supports high-rise development on main streets like Market and Geary, and removes density limits, and establishes “form-based zoning” with modernized zoning controls and design standard.

On September 9, 2025, California HCD advised the City that the Plan met state law requirements, and on December 12, 2025, Mayor Daniel Lurie signed the Family Zoning plan, enabling San Francisco to meet its obligation to approve a compliant rezoning plan no later than January 31, 2026.

Funding for Affordable Housing Production and Preservation

While the updated zoning plan provides opportunities for additional affordable housing development, the actual production of these units depends on funding availability. The Mayor’s Office of Housing and Community Development (MOHCD), the principal City agency for financing affordable housing development in San Francisco, provides loans and supports projects in securing financing from other sources.

The average cost to build an affordable unit in San Francisco as of 2024 was \$954,127.³⁴ For new affordable housing developments,³⁵ the Planning Department estimated in 2024 that a single project will typically have five to seven different funding sources.³⁶ The Planning Department reports that, on average, a project utilizing Low-Income Housing Tax Credits (LIHTC) as a financing source in San Francisco is comprised of 32 percent local funds, 13 percent state funds, 46 percent

³¹ San Francisco Planning Department, *Housing Element*, San Francisco General Plan, City and County of San Francisco, 2022.

³² Net requirement after deducting housing units considered in the pipeline from the 82,069 total housing units required.

³³ San Francisco Planning Department, *Fact Sheet: Family Zoning Plan & Rezoning Capacity Calculations*, City and County of San Francisco, 2025.

<https://sfplanning.org/sites/default/files/documents/citywide/FZP-Factsheet-Capacity-Calculations.pdf>

³⁴ Mayor’s Office of Housing and Community Development *San Francisco’s Affordable Housing Pipeline: What It Takes to Build Affordable Homes for Our Communities*, 2024.

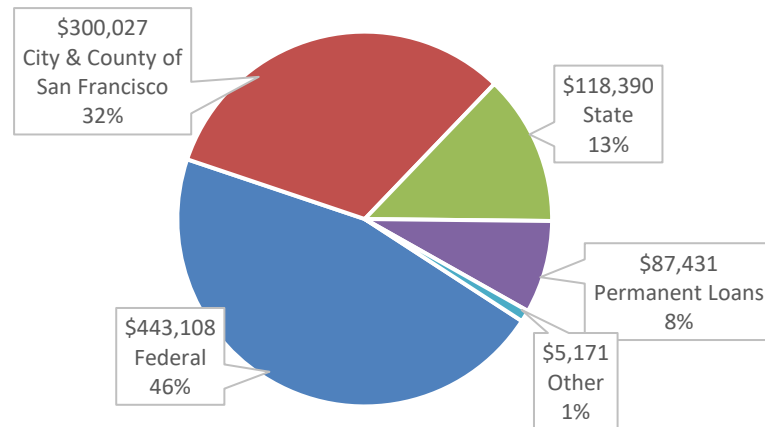
<https://sfplanning.org/sites/default/files/documents/citywide/ahlc-pipeline-flyer-2024.pdf>

³⁵ As opposed to rehabilitation, conversion, or preservation.

³⁶ City and County of San Francisco, *Affordable Housing Sites: Analysis and Strategies Final Report*, December 2025. <https://sfplanning.org/sites/default/files/documents/citywide/AHSAS-final-report-2025.pdf>

federal,³⁷ and 8 percent permanent loans.³⁸ This section will review where the City gets the money it directs toward these projects, and where the projects themselves secure their remaining external funding.

Exhibit 13: Breakdown of Average \$954,127 Per-Unit Funding for Affordable Housing Projects using Low Income Housing Tax Credits, 2024



Source: San Francisco Planning Department, *San Francisco's Affordable Housing Pipeline: What It Takes to Build Affordable Homes for Our Communities*, 2024

Federal Funding

The Low-Income Housing Tax Credit (LIHTC) is the largest federal program supporting low-income housing in the United States, generating up to \$10.5 billion in annual affordable housing tax credits nationwide.³⁹ Projects that receive this tax credit can offer investors a discount on their federal income tax liability, which provides funding for between 30 to 50 percent of new affordable housing construction. As administrator of this federal program, the State of California issues these tax credits through a competitive process to projects acquiring, rehabilitating, or newly constructing rental housing in the state for households with lower incomes. The federal "Big Beautiful Bill" (OBBA) of 2025 expanded this program and made it easier for projects to qualify by lowering the amount of tax-exempt bonds needed to qualify for 4 percent LIHTC from 50 percent of aggregate basis to 25 percent, functionally doubling the amount of 4% LIHTC available. LIHTC

³⁷ The Low-Income Housing Tax Credit (LIHTC) is included in the federal funding category, even though LIHTC funds themselves are collected from the private market, because their availability is derived from federal policy and resource allocation.

³⁸ Mayor's Office of Housing and Community Development *San Francisco's Affordable Housing Pipeline: What It Takes to Build Affordable Homes for Our Communities*, 2024.
<https://sfplanning.org/sites/default/files/documents/citywide/ahlc-pipeline-flyer-2024.pdf>

³⁹ U.S. Department of Housing and Urban Development, "Low-Income Housing Tax Credit (LIHTC): Property and Tenant Level Data," HUD USER, last modified December 17, 2025,
<https://www.huduser.gov/portal/datasets/lihtc.html>.

was a source for projects bringing 8,604 units into service in San Francisco between 2015 and 2025.⁴⁰

MOHCD also applies HUD funding to housing developments. HOME funds can be used for new affordable housing construction and CDBG funds can be used for acquisition and preservation.

State Funding

MOHCD leverages state funding from the California Department of Housing and Community Development (HCD) and California Housing Finance Agency (CalHFA). Grant programs such as Multi-family Housing Program (MHP), Affordable Housing & Sustainable Communities (AHSC), Infill Investment Grants (IIG), No Place Like Home (NPLH), and others have provided more than \$1.2 billion in funding for affordable housing in San Francisco since 2018, according to MOHCD staff. Because San Francisco has received the State's Prohousing Designation, local projects receive competitive advantages in scoring for certain state funds and can access Prohousing Incentive Program grants.⁴¹

Affordable development also relies on the State Low-Income Housing Tax Credit, administered by the California Tax Credit Allocation Committee (CTCAC), which supplements the federal LIHTC program described above. In 2025, CTCAC reported allocating \$31.6 million in LIHTC credits towards two projects receiving state credits, to build 280 low-income units in San Francisco.⁴²

Local Funding

The majority, approximately 80 percent, of MOHCD's multifamily housing expenditures originate from local sources.⁴³ According to MOHCD, in the 2024-25 fiscal year, the Department's total spending on multifamily housing grants and loans amounted to \$285.7 million, of which approximately \$234 million came from six local sources, which are detailed in Exhibit 14a below. While spending levels vary from year to year, the breakdown below — based on data provided by MOHCD — offers a snapshot of FY 2024-25 funding sources and provides a detailed discussion of each category.

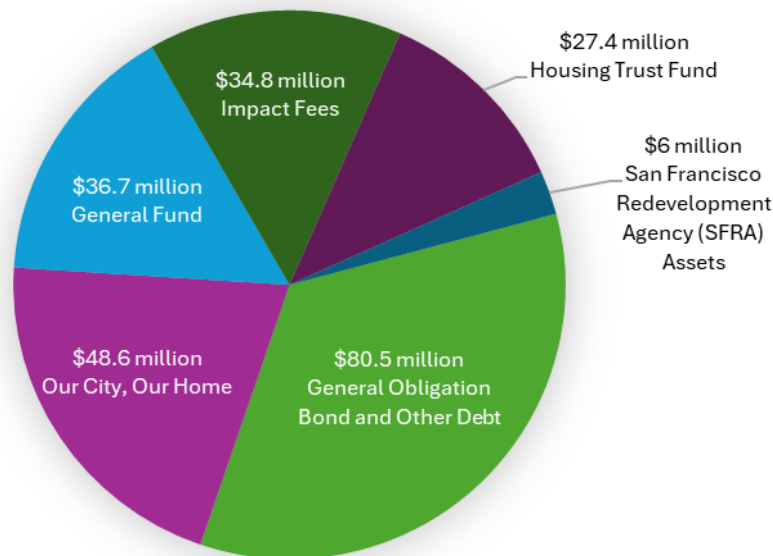
⁴⁰ U.S. Department of Housing and Urban Development, "Low-Income Housing Tax Credits (LIHTC)," <https://www.huduser.gov/portal/datasets/lihtc.html>

⁴¹ Office of the Mayor, "San Francisco Receives Prohousing Designation from State of California," City and County of San Francisco, October 25, 2024, <https://www.sf.gov/news--san-francisco-receives-prohousing-designation-state-california>

⁴² California Tax Credit Allocation Committee, *2025 Annual Report*, Office of the State Treasurer, 2025, <https://www.treasurer.ca.gov/ctcac/annual-reports>

⁴³ MOHCD additionally funds community development, housing services, and ownership programs. However, this section focuses exclusively on MOHCD's multifamily expenditures.

Exhibit 14a: MOHCD Spending on Multifamily Housing Grants & Loans from Local Sources (FY 2024-25)



Total: \$234 million

Source: MOHCD

The Department relied most heavily on General Obligation (GO) bonds and other debt, at \$80.5 million or 28 percent of all multifamily housing expenditures. These include the voter-approved 2016 Preservation and Seismic Safety Program (PASS) G.O. Bond,⁴⁴ the 2019 Affordable Housing GO Bond,⁴⁵ and most recently, the 2024 Affordable Housing G.O. Bond. The 2024 bond, approved by 70 percent of San Francisco voters, allocates \$240 million to low-income housing, \$30 million to affordable housing preservation, and \$30 million to victim and survivor transitional housing.⁴⁶ In addition to bond financing, MOHCD uses two other debt tools to fund capital projects: Commercial Paper, which provides short-term interim financing while longer-term funds are arranged, and Certificates of Participation (COPs), a longer-term financing mechanism backed by lease revenues associated with City-owned property.⁴⁷

⁴⁴ Mayor's Office of Housing and Community Development, *2016 Housing GO Bond Report: Preservation and Seismic Safety (PASS) Program*, City and County of San Francisco, June 2024, <https://www.sf.gov/file/2016-housing-go-bond-report-pass-program-june-2024>.

⁴⁵ Mayor's Office of Housing and Community Development, *2024 Affordable Housing General Obligation Bond Accountability Report*, City and County of San Francisco, 2024. https://media.api.sf.gov/documents/2024_Prop_A_Bond_Accountability_Report_-_final.pdf

⁴⁶ Mayor's Office of Housing and Community Development, "2024 Affordable Housing General Obligation Bond," City and County of San Francisco, March 5 2024. <https://www.sf.gov/2024-affordable-housing-general-obligation-bond>

⁴⁷ San Francisco Board of Supervisors Budget and Legislative Analyst, *February 11, 2026 Budget and Finance Committee Meeting Report*, City and County of San Francisco, February 6, 2026. <https://sfgov.legistar.com/View.ashx?M=F&ID=15175551&GUID=CB43FD8D-FA62-4E21-89DE-D2E253BDF034>

Over a quarter of MOHCD's multifamily housing spending came from two funds: \$48.6 million from the Our City, Our Home (OCOH) Fund, and \$27.4 million from the Housing Trust Fund (HTF). Approved by voters in 2018, OCOH funds affordable housing along with three other service areas in support of people experiencing homelessness.⁴⁸ The HTF was launched in 2013 after San Francisco voters approved Proposition C to amend the City Charter in November 2012 which established baseline annual funding until 2043. It supports affordable housing development, down payment assistance for moderate-income homebuyers, eviction and foreclosure prevention, and neighborhood improvements.⁴⁹ The current annual allocation amount is approximately \$52 million.

The Department relied on the General Fund to provide \$36.7 million or 13% of multifamily housing spending. This allocation comes from unrestricted tax revenues including property taxes, business taxes, sales taxes, and hotel taxes. This includes \$14.9 million from the Housing Stability Fund, which was established as a result of Proposition I in 2020⁵⁰, as well as \$14.5 million of General Fund dollars work-ordered from HSH for homeless housing.

MOHCD expended \$34.8 million from Development Impact Fee sources on multifamily housing, representing 12 percent of the agency's multifamily housing spending in FY 2024-25. These expenditures draw from several revenue streams, including in-lieu inclusionary fees, collected from developers who elect to contribute to an affordable housing fund rather than incorporate required affordable units directly into their projects; the Jobs-Housing Linkage Fee; two Plan Fees covering the Market/Octavia and Eastern Neighborhoods (Mission & SOMA) areas; the Expedited Condominium Conversion Program; Development Agreements; and the SOMA Stabilization Fund. In addition to spending new revenues, these expenditures also reflect spending from prior year fee collections and loan repayments from MOHCD-funded projects.

Finally, MOHCD manages housing assets inherited from the former San Francisco Redevelopment Agency (SFRA). Funds associated with these housing assets flow to a Special Revenue Fund (the Low- and Moderate-Income Housing Asset Fund) which contributed \$6.0 million toward multifamily housing in FY 2024-25.⁵¹

In addition to MOHCD funding, individual projects can draw on other local financing sources. These include Enhanced Infrastructure Financing Districts (EIFDs), a relatively new tool that captures the City's portion of the property tax increment from specific development areas to fund

⁴⁸ Our City, Our Home Oversight Committee, *Our City, Our Home Fund Annual Report: Fiscal Year 2024-2025*, City and County of San Francisco, 2026, <https://www.sf.gov/our-city-our-home-fund-annual-report-fy25>

⁴⁹ Mayor's Office of Housing and Community Development, *Housing Trust Fund Five-Year Report: 2019-2023*, City and County of San Francisco, 2024, https://media.api.sf.gov/documents/120882_-_Housing_Trust_Fund_Five-Year_Report_-_2018-2023.pdf

⁵⁰ Mayor's Office of Housing and Community Development, *Housing Stability Fund: Program Implementation Report*, City and County of San Francisco, February 2026.

⁵¹ Mayor's Office of Housing and Community Development, *Low and moderate Income Housing Asset Fund Housing Successor Report Year 2020-2021*, City and County of San Francisco, 2021, https://media.api.sf.gov/documents/Housing_Asset_Fund_Report_FY_21_final_6PTmO7U.pdf

infrastructure and affordable housing, as well as philanthropic contributions from private foundations and donors, and private investments.

In addition to MOHCD funding, individual projects can draw on other local financing sources. These include Enhanced Infrastructure Financing Districts (EIFDs), a relatively new tool that captures the city's portion of the property tax increment from specific development areas to fund infrastructure and affordable housing, as well as philanthropic contributions from private foundations and donors, and private investments.

Permanent Loans and Other Sources

Almost 10 percent of the funding for new construction affordable housing comes from permanent, loans and other sources. Permanent loans are long-term, fixed-rate mortgages. Once a property is stabilized and occupied, developers can replace their construction debt with permanent loans, from State sources like CalHFA, or through national and institutional lenders. Other sources may include forgivable loans, soft debt, operating subsidies, and sometimes mezzanine financing or preservation loans.⁵²

Building New Affordable Housing

San Francisco's production of new affordable housing falls into three primary categories: 100% affordable development, mixed-income (inclusionary) housing, and permanent supportive housing. Each category follows a distinct development and delivery process. In addition to the construction of new affordable units, San Francisco creates and supports affordability through rent control, housing preservation, housing vouchers, and homeownership programs.

100% Affordable Housing Development Process

The Mayor's Office of Housing and Community Development (MOHCD) coordinates the construction of new 100 percent affordable housing developments, working with developers to plan, fund, build, and operate new affordable developments in the City. This process can be summarized in the following stages:⁵³

1. *Site Acquisition* – Projects can enter the affordable housing pipeline in a number of ways:
 - a. *Acquisition*. When funding is available for acquisition, MOHCD will issue a Notice of Funding Availability (NOFA) for the purchase of development sites. All funding opportunities are posted on SF.gov and emailed to a distribution list of more than 3,000 contacts. Affordable housing developers respond to the NOFA with proposals, which are scored by an independent panel and then awarded funds for acquisition and predevelopment.
 - b. *Land Dedication*. Market rate developers can use land dedications in lieu of inclusionary or impact fees under Planning Code Sec 415. For example, 1979

⁵² California Housing Finance Agency, "Tax-Exempt Permanent Loan Program"

<https://www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf>

⁵³ Mayor's Office of Housing and Community Development, "Housing Development Process," City and County of San Francisco, <https://sfmohcd.org/housing-development-process>

Mission was a land dedication tied to the development of 10 South Van Ness. For these projects, MOHCD will issue a Request for Qualifications to identify a developer team and fund predevelopment.

- c. *Public Lands*. The affordable housing pipeline includes both City and State properties. For example, Shirley Chisholm Village is an SFUSD property and 750 Golden Gate is State property. For these projects, MOHCD will coordinate with other agencies and may issue a joint RFQ.
 - d. *Development Agreements (DAs)*. DAs for larger multi-site developments, like Balboa Reservoir or Mission Rock, include obligations to build affordable housing. These are usually structured so that the market-rate master developer partners with an affordable developer for the affordable buildings. DAs may also include inclusionary units.
 - e. *HOPE SF*. The HOPE SF sites are a long-term commitment by the City to rebuild public housing properties.
2. *Developer Selection* – For land dedication, public lands, DAs, and Hope SF sites, MOHCD issues a Notice of Funding Availability (NOFA), Request for Qualifications (RFQ), or Request for Proposal (RFP) when funding is available to begin pre-development. Developers are selected based on criteria such as a developer’s experience, project proposal, and financing plan. When the developer is selected, MOHCD commits predevelopment funding that supports community engagement, architecture and engineering, and other pre-construction activities.
 3. *Community Engagement* – Affordable housing development projects usually produce a community outreach and engagement plan, developed in partnership with MOHCD’s Cultural District Program when possible.⁵⁴ As of June 2024, some MOHCD projects may be eligible for reduced public review under Senate Bill 423, which exempts qualifying projects from the public hearing requirement.^{55 56}
 4. *Permitting and Financing Applications* – MOHCD supports the project in securing funding including the important Low Income Housing Tax Credit (federal) and state grants and loans. Once the project secures all state and federal funding, MOHCD provides the final gap financing, which is typically allocated just before construction begins. As part of this, MOHCD staff match projects to suitable funding sources and work with the developers to adjust the project to stay competitive for relevant funding awards. MOHCD also

⁵⁴ Mayor’s Office of Housing and Community Development, *Housing Development Underwriting Guidelines*, City and County of San Francisco, <https://www.sf.gov/file/housing-development-underwriting-guidelines>

⁵⁵ San Francisco Planning Department, “Developers/Large Projects,” City and County of San Francisco, <https://sfplanning.org/developerslarge-projects>

⁵⁶ San Francisco Planning Department, “Streamlined Multifamily Housing Approval,” City and County of San Francisco <https://sfplanning.org/resource/sb423-application>

coordinates project timelines against the state’s funding calendar, tracking anticipated funding availability against project readiness.

5. *Construction & Monitoring* – Once a project fulfills a set of requirements related to regulation and compliance and after securing all necessary funding, MOHCD authorizes issuance of a Notice to Proceed to the general contractor. During construction, MOHCD's Construction Management team monitors change order requests and construction progress.
6. *Lottery, Leasing, & Occupancy* – A completed project will fill its units using the lottery system through the DAHLIA San Francisco Housing Portal or via direct referral from HSH or SFHA. The lottery ranks housing applicants more highly depending on whether they meet criteria like forced displacement, current City residence, or veteran status.⁵⁷ After the development secures tenants, MOHCD’s Asset Management Team provides long-term oversight, monitoring the project’s financial health, physical condition, and ongoing compliance with affordability and income eligibility requirements.⁵⁸

In addition to MOHCD, San Francisco also produces 100 percent affordable housing through the Office of Community Investment and Infrastructure (OCII), the successor to the City’s Redevelopment Agency. These 100 percent developments are typically part of Mission Bay, Transbay, or Hunters Point Shipyard project areas and are included in the MOHCD affordable housing pipeline.⁵⁹

Inclusionary Housing Development Process

San Francisco’s Inclusionary Housing Program requires market-rate residential projects to contribute to the City’s affordable housing stock. While developers may fulfill this by paying an Affordable Housing Fee, most choose to provide Below Market Rate (BMR) units within the project (on-site) or at a nearby location (off-site). The production of on-site BMR units generally follows the City’s standard market-rate development and permitting process.⁶⁰ Like 100 percent affordable housing units, BMR rental units are leased through the DAHLIA lottery system.

Permanent Supportive Housing (PSH) Development Process

Permanent Supportive Housing (PSH), or long-term subsidized housing with support services for residents coming out of homelessness, is a housing program type, but not a building type. PSH operates in master-leased buildings, 100 percent PSH buildings owned by affordable housing providers, and is also included in 100 percent affordable buildings funded by MOHCD. PSH operates out of both older buildings and new construction. For new construction projects, the

⁵⁷ MOHCD, “Get a Priority for the Housing Lottery,” City and County of San Francisco, <https://www.sf.gov/get-priority-housing-lottery>

⁵⁸ MOHCD, “Asset Management Resources for Multifamily Rental Housing,” <https://www.sf.gov/information--asset-management-resources-multifamily-rental-housing>

⁵⁹ Office of Community Investment and Infrastructure, “Projects,” <https://sfocii.org/projects>

⁶⁰ San Francisco Planning Department, “Inclusionary Affordable Housing Program,” City and County of San Francisco, <https://sfplanning.org/project/inclusionary-affordable-housing-program>

Mayor's Office of Housing and Community Development (MOHCD) helps coordinate in close partnership with the Department of Homelessness and Supportive Housing (HSH).

From a financial standpoint, a primary distinction for PSH is that it requires ongoing operating subsidies to supplement the low revenue from rents. PSH tenants are usually extremely low income and often living on fixed incomes. The rents from these households cannot fund ongoing building operations, so subsidies are necessary.

PSH does have access to the Our City Our Home (OCOH) Fund. By mandate, at least 50 percent of this fund must be dedicated to the Permanent Housing service area, providing PSH with a stable funding stream. Of those allocations, 55 percent must be directed toward the general population, 25 percent toward families, and 20 percent toward transitional-age youth.⁶¹

PSH also benefits from accelerated development timelines via streamlined permitting. State legislation, specifically AB 2162, requires local entities to streamline the approval of housing projects that contain a minimum of 25 percent supportive housing. For qualifying projects, this law mandates a ministerial approval process, removes CEQA requirements, and waives the need for Conditional Use Authorization.⁶²

Vouchers and Homeownership

San Francisco also creates affordable housing opportunities through federal and local tenant-based renter and owner subsidy programs. These initiatives create affordability by making market-rate inventory accessible to lower-income residents.

The federal Housing Choice Voucher Program (Section 8 housing vouchers) allows low-income households to access market rate units through rental assistance vouchers. The San Francisco Housing Authority (SFHA) administers this federally funded non-entitlement benefit, reporting in its 2025 Annual Plan a total inventory of 14,652 vouchers throughout the City, a portion of which are tenant-based and can be utilized in the private market.⁶³ This program is limited by the amount of federal financing as well as landlord participation.

To support homeownership for low, moderate, and middle-income first-time homebuyers, MOHCD operates two programs under its dedicated Homeownership Division. The Below Market Rate (BMR) ownership programs provide access to specific units created via the City's Inclusionary Housing Program or other specialized construction mandates.⁶⁴ While these units are produced by private developers without public subsidies, they are set aside specifically for eligible first-time

⁶¹ Our City, Our Home Oversight Committee, "Our City, Our Home Fund Annual Report FY24: Permanent Housing," City and County of San Francisco, <https://www.sf.gov/data--ocoh-fund-annual-report-fy24-permanent-housing>

⁶² San Francisco Planning Department, "Supportive Housing Streamlined Approval (AB 2162)," <https://sfplanning.org/resource/supportive-housing-streamlined-approval-ab-2162>

⁶³ San Francisco Housing Authority, *Annual Plan for Fiscal Year 2024, 2024*, https://sfha.org/files/documents/SFHA_Annual%20Plan_2024.pdf

⁶⁴ Mayor's Office of Housing and Community Development, "Below Market Rate (BMR) Ownership Programs," City and County of San Francisco, August 2, 2024, <https://www.sf.gov/reports--august-2024--below-market-rate-bmr-ownership-programs>

homebuyers. MOHCD also administers the Downpayment Assistance Loan Program (DALP), which provides loans of up to \$500,000 for low-to-moderate-income households to purchase market-rate properties and includes dedicated funding sources for educators and first responders.⁶⁵

Because the Section 8 and DALP programs utilize existing market-rate inventory, their production is identical to the amount of funding that can be secured and the number of units that can be dedicated to the programs. Rather than building new structures, these programs "build" affordability by subsidizing access to San Francisco's market-rate housing stock.

Acquisition and Preservation

MOHCD increases the City's affordable housing stock through the acquisition of market rate units and their preservation as affordable housing. As of 2026, the City's portfolio contains 1,464 preservation units through the following programs: Cooperative Living for Mental Health, HomeKey, Small Sites, and Supportive Living Preservation. Rather than ground-up development, these programs acquire and/or rehabilitate existing buildings. Under the Small Sites Program, for instance, MOHCD funds CBO acquisition of buildings of 5 to 25 units and funds necessary capital improvements before transitioning them into the City's permanent affordable housing inventory.⁶⁶ The Department also acquires larger buildings while other acquisitions have utilized the state's HomeKey program to access funding to acquire properties such as hotels and motels to convert to PSH. MOHCD also dedicates resources and staff to assisting in the rehabilitation of existing affordable housing to ensure it remains available to low-income households.

⁶⁵ Mayor's Office of Housing and Community Development, "Downpayment Assistance Loan Program (DALP)," City and County of San Francisco, December 2, 2024, <https://www.sf.gov/reports--december-2024--downpayment-assistance-loan-program-dalp>

⁶⁶ Mayor's Office of Housing and Community Development, "About the Small Sites Program," City and County of San Francisco, <https://www.sf.gov/information--about-small-sites-program>

2. Temporary Fee Reduction Program Impacts

The Temporary Fee Reduction Program, approved by the Board of Supervisors on September 5, 2023, created a three-year window for reduced development impact fees and lower Inclusionary Housing Program requirements for market-rate housing developments. This section evaluates the impact of these policy shifts by addressing three questions:

- 1. What were the fees and reductions?** How much were developers saving once requirements were reduced?
- 2. Did lowering the rates make development projects, particularly housing, financially viable?** We use available data to investigate whether the evidence suggests these changes in 2023 helped projects move forward.
- 3. What was the net impact on affordable housing production and funding?** The Mayor's Office of Housing and Community Development (MOHCD) receives fee revenue dedicated to affordable housing, including development impact and Inclusionary Housing Program fees. Our review covers inclusionary units built and the total funds collected for affordable housing after the fee reductions.

This report section addresses the questions above by reviewing City department data and revenue to evaluate the impacts of the 2023 policy changes.

Background: Inclusionary Housing Program

San Francisco's Inclusionary Housing Program requires that market rate developers build a certain number of affordable housing units ("below market rate", or BMR units) within new market-rate projects of 10 units or more. These units, which do not receive a City subsidy, must remain affordable for a set period, making them an important contribution to the City's affordable housing stock.

Developers may avoid including affordable units in their developments if they pay a fee called an in-lieu inclusionary housing fee to be used by the City as part of its mix of funding for affordable housing projects, or pay for construction of these units at a different location ("offsite"), or dedicate land for the construction of affordable housing. This program, in effect since 2002, is administered by the Planning Department and the Mayor's Office of Housing and Community Development (MOHCD). Exhibit 15a presents a summary of Inclusionary Housing Program requirements and alternatives.

Exhibit 15a: Inclusionary Housing Program Options

Option	Description
Inclusionary - On-site	Construct a certain percentage of units within market-rate developments.
Inclusionary - Offsite	Alternative to inclusionary on-site in which a developer may construct a certain percentage of units elsewhere. Typically, this must be a higher percentage than on-site requirements.
In-Lieu Inclusionary Housing Fee	Alternative to inclusionary on-site or off-site in which a developer pays a fee instead of constructing on-site affordable units. The City uses these funds as one of its sources for affordable housing development.

Source: SF Planning

The percentage of required inclusionary units that developers must provide, and related fees for developers who choose to pay instead of including affordable units in their developments, have fluctuated since program inception in 2002. In 2007 the required on-site percentage was raised from 10 percent to 15 percent of total units. It was lowered to 12 percent in 2012, and in 2016 the Board of Supervisors approved Resolution 79-16 (File 160166) to require the number of units to be the maximum of what is economically feasible. The legislation established that the economic feasibility of inclusionary requirements is to be assessed by an Economic Feasibility Analysis conducted through a public process including a Technical Advisory Committee (TAC) that evaluates current housing market factors and development costs, no less than every 36 months.⁶⁷ The temporary fee reduction program resulted from the TAC's findings in their 2023 report that most residential development prototypes were not financially feasible to construct at that time.

The TAC released their 2026 report on April 30, 2026. The study found that achieving financial feasibility of market-rate housing development is currently very challenging, with none of the prototypes tested able to support any level of inclusionary housing requirement. Notably, the report found that the financial feasibility of each prototype had significantly worsened since 2023, owing to continued construction cost escalation, elevated interest rates, and other macroeconomic factors.⁶⁸

Currently, Planning Code Section 415.6 establishes the following affordability levels for on-site rental units: for rental housing projects with 25 or more units, at least 10 percent of all project units must be affordable to low-income households, four percent to moderate-income households, and four percent to middle-income households. For rental projects with 10 to 24 units, all required affordable units must be affordable to low-income households. The maximum rent for these categories is set as a percentage of Area Median Income, as summarized in Exhibit 15b below.

⁶⁷ San Francisco Board of Supervisors, Resolution 79-16: *Establishing City Policy Maximizing a Feasible Inclusionary Affordable Housing Requirement and Adding Exceptions*, File No. 160166 (March 1, 2016). <https://sfgov.legistar.com/View.ashx?M=F&ID=4302571&GUID=8243D8E2-2321-4832-A31B-C47B52F71DB2>

⁶⁸ https://media.api.sf.gov/documents/Triennial_Economic_Feasibility_Report_2026.final.pdf

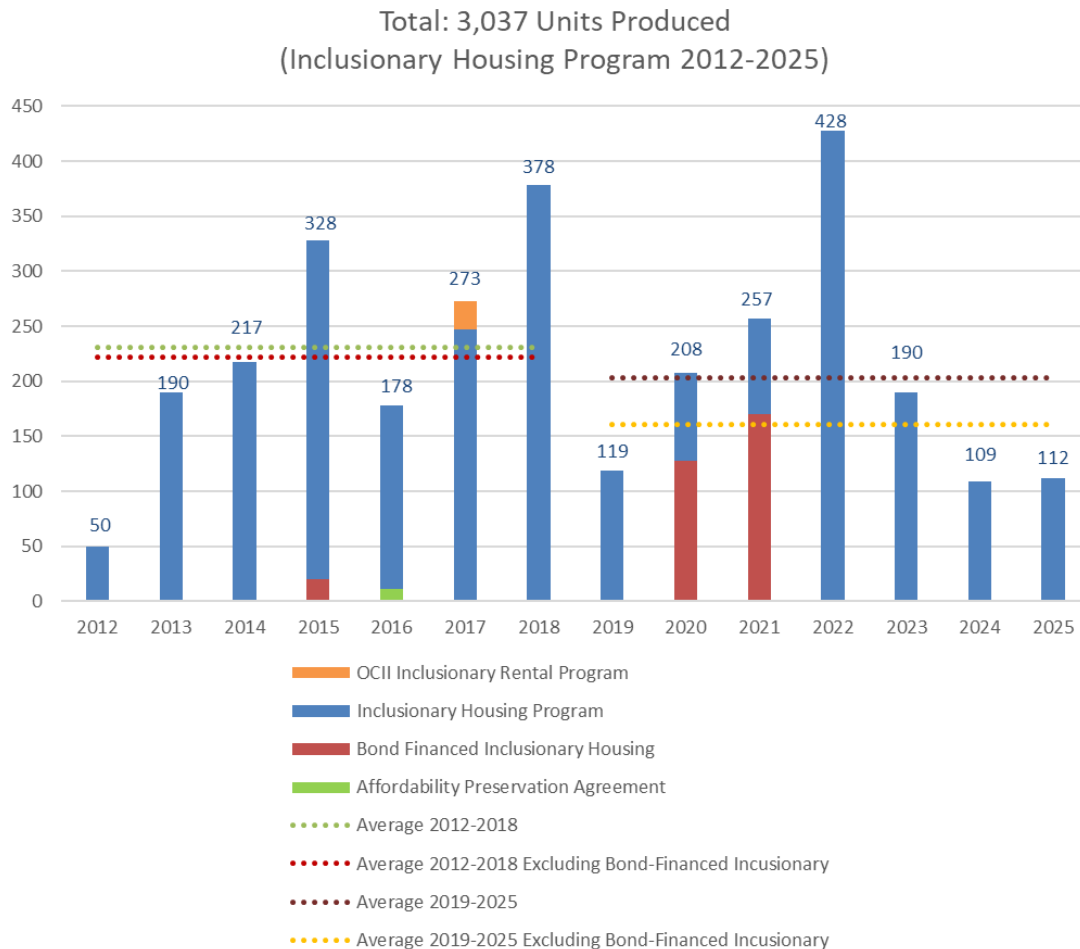
Exhibit 15b: Planning Code Sec. 415.6 - Inclusionary Rental Affordability Requirements

Project Size	Income Tier	Minimum % of Total Project Units	Eligible Income Range (\$)	Maximum Rent	
			2025, 2-person household	As % of AMI	2025, 1 BR, utilities included
10-24 Units	Low Income	12%	<\$81,050 (Up to 65% AMI)	55%	\$1,715
	Low Income	10%	<\$81,050 (Up to 65% AMI)	55%	\$1,715
25+ Units	Moderate Income	4%	\$81,050-\$112,250 (65% to 90% AMI)	80%	\$2,494
	Middle Income	4%	\$112,250-\$162,100 (90% to 130% AMI)	110%	\$3,429

Sources: Planning Code Section 415.6, 2025 SF MOHCD Inclusionary Income AMI Chart, 2025 Inclusionary Maximum Monthly Rent by Unit Type

Exhibit 16 below shows that, overall, between calendar years 2012 and 2025, a total of 3,037 units were constructed through the Inclusionary Housing Program, or an average of 217 units per year. As shown, production was generally lower between 2019 and 2025; the average number of units produced each year between 2012 and 2018 was 231 compared to 203 between 2019 and 2025. Inclusionary housing production in 2024 and 2025 was the lowest since 2012, at 109 and 112 units, respectively.

Exhibit 16: Inclusionary Housing Program Units Completed, 2012-2025



Source: MOHCD Portfolio, OpenDataSF

Inclusionary Housing In-lieu Development Impact Fee

As mentioned above, market-rate housing developers can pay an in-lieu inclusionary housing fee, also known as an “Affordable Housing Fee,”⁶⁹ as an alternative to including a required number of affordable units in their developments. The City’s in-lieu fee was originally calculated on a per-unit basis when the Inclusionary Housing Program started in 2002. This changed in 2019 when it was adjusted to a per-square-foot basis. This change was aimed at removing the penalty for smaller units built: previously, larger units would pay the same fee as smaller units, incentivizing the former in a detriment to affordability goals.

The fee is currently calculated as follows: MOHCD multiplies the total project size by the applicable off-site housing percentage, then applies a dollar amount per square foot of gross floor area based on the average cost of construction for affordable residential housing in San Francisco (currently

⁶⁹"Inclusionary Affordable Housing Program," San Francisco Planning Department, <https://sfplanning.org/project/inclusionary-affordable-housing-program>

\$249.66 as of March 2026).⁷⁰ So, in a hypothetical example, an 80,000 square foot development might have a 20 percent inclusionary fee requirement, or 16,000 square feet, which would be multiplied by the \$249.66/sq ft fee for total fee revenue of approximately \$4 million. Every January, the fee amount is adjusted to account for cost escalation, published by the Planning Department in the Development Impact Fee Register.

Other Development Impact Fees

Other development impact fees are charged to development projects to mitigate City costs that new development generates. The City has 37 development impact fees including 11 that are charged Citywide and 26 that are only applicable to projects in certain areas such as Market-Octavia, South-of-Market, and Visitacion Valley.⁷¹ These fees are often based on the square footage of the development project but vary depending on the type of fee and project.

Development impact fee revenue is used for affordable housing as well as for services and functions such as public transportation, childcare, and public art. A list of all current development impact fees can be found in the San Francisco Development Impact Fee Register.

The following development impact fees generate funds for affordable housing development under the jurisdiction of MOHCD as well as funds for other public purposes. The percentages allocated to affordable housing are set in the Planning Code.⁷²

1. In-lieu inclusionary fees (described above)
2. Jobs-Housing Linkage Fees
3. Plan Area Fees - Market & Octavia
4. Plan Area Fees - Eastern Neighborhoods (Mission & SOMA)
5. Plan Area Fees - Eastern Neighborhoods Alternative Inclusionary
6. Plan Area Fees - Van Ness & Market Residential Special Use District

Exhibit 17 below shows all development impact fees collected by the Department of Building Inspection from FY 2019-20 to FY 2024-25, which totaled \$194,614,450 across all fee types and \$84,359,672 for affordable housing, including inclusionary housing in-lieu fee revenue. These totals exclude fees that were repaid to project sponsors upon project cancellation and other fees paid directly by developers to MOHCD, discussed further below.

⁷⁰ San Francisco Planning Department, *Citywide Development Impact Fee Schedule* (San Francisco: City and County of San Francisco) https://sfplanning.org/sites/default/files/forms/Impact_Fee_Schedule.pdf

⁷¹ The Planning Department lists 38 fees on its Development Impact Fee Register. This includes the Inclusionary in-lieu fee, Jobs-Housing Linkage Fee, as well as fees applicable only in certain areas, fees applicable only to commercial projects, and fee alternatives. Only a subset of the fees on the register will be applicable to any one individual project.

⁷² Mayor's Office of Housing and Community Development, *Annual Report: Fiscal Year 2024-2025* (San Francisco: MOHCD, 2026), https://media.api.sf.gov/documents/MOHCD_FY_2024-2025_Annual_Report.pdf

Exhibit 17: Development Impact Fees Collected by the Department of Building Inspection (FY 2019-20 - FY 2024-25)

	FY2019-2020	FY2020-2021	FY2021-2022	FY2022-2023	FY2023-2024	FY2024-2025	TOTAL
Balboa Park Community Infrastructure Impact Fee	\$ 33,996						
Bicycle Parking In-Lieu Fee	\$ 2,076	\$ 3,401	\$ 6,235	\$ 68,122	\$ 853	\$ 11,472	\$ 92,158
Central SOMA Community Services Facilities Fee				\$ 702,503			\$ 702,503
Child Care Impact Fees	\$ 2,733,735	\$ 1,278,776	\$ 1,152,328	\$ 1,967,270	\$ 442,812	\$ 527,154	\$ 8,102,074
Downtown Park Fee	\$ 14,925	\$ 573,982	\$ 357,041	\$ 329,790		\$ 6,594	\$ 1,282,332
Eastern Neighborhoods Infrastructure Impact Fee	\$ 7,020,000	\$ 1,252,729	\$ 4,767,139	\$ 15,788,846	\$ 420,435	\$ 350,453	\$ 29,599,602
Market & Octavia Community Infrastructure Fee	\$ 4,407,635	\$ 553,702	\$ 20,224	\$ 8,082,499	\$ 58,644		\$ 13,122,705
Public Art Fee	\$ 50,000	\$ 1,469,160	\$ 410,000	\$ 150,000			\$ 2,079,160
Rincon Hill Community Infrastructure Impact Fee		\$ 59,499				\$ 53,584	\$ 113,083
South of Market (SOMA) Community Stabilization Fee						\$ 68,164	\$ 68,164
Street Trees Planting Requirement or In-lieu Fee	\$ 943,844	\$ 1,333,860	\$ 1,138,096	\$ 763,623	\$ 699,459	\$ 664,445	\$ 5,543,326
Transit Center Open Space Fee						\$ 1,816	\$ 1,816
Transit Center Transportation and Street Improvement Fee		\$ 163,607				\$ 11,449	\$ 175,055
Transportation Sustainability Fee - General	\$ 12,723,623	\$ 4,679,354	\$ 5,911,562	\$ 22,714,739	\$ 172,169	\$ 1,078,717	\$ 47,280,163
Transportation Sustainability Fee - Rincon Hill & Vis Valley							\$ -
Union Square Park, Recreation, and Open Space Fee		\$ 34,815	\$ 320,950	\$ 259,570			\$ 615,335
Van Ness & Market Community Facilities Fee				\$ 629,810			\$ 629,810
Visitacion Valley Community Facilities and Infrastructure Fee		\$ 953					\$ 953
Open Space Rqt: Eastern Neighborhoods Mixed Use Districts - Alternative		\$ 8,298			\$ 804,244		\$ 812,542
Affordable housing fees:							\$ -
Inclusionary (In-Lieu) Fee - Affordable Housing	\$ 28,922,975	\$ 4,869,769	\$ 4,190,753	\$ 1,268,027	\$ 1,496,792	\$ 1,463,918	\$ 42,212,235
Jobs-Housing Linkage Program Fee (OCII)				\$ 8,825,598			\$ 8,825,598
Jobs-Housing Linkage Program Fee	\$ 1,867,271		\$ 3,554,063	\$ 4,884,920		\$ 1,693,610	\$ 11,999,865
Plan Area Fee - Eastern Neighborhoods							\$ -
Plan Area Fee - Market & Octavia	\$ 3,774,075	\$ 1,455,168		\$ 5,894,644			\$ 11,123,887
Plan Area Fee - Van Ness & Market Rsdtdl Special Use District	\$ 3,885,921			\$ 6,312,166			\$ 10,198,087
Affordable housing fee subtotal	\$ 38,450,243	\$ 6,324,938	\$ 7,744,816	\$ 27,185,355	\$ 1,496,792	\$ 3,157,528	\$ 84,359,672
Grand Total	\$ 66,380,077	\$ 17,737,073	\$ 21,828,390	\$ 78,642,127	\$ 4,095,408	\$ 5,931,374	\$ 194,614,450

Source: Department of Building Inspection

*Excludes fees that were refunded to project sponsors upon project cancellation

Temporary Fee Reduction Legislation (2023)

In June 2023, San Francisco's Inclusionary Affordable Housing Program's Technical Advisory Committee (TAC), in coordination with the Controller's Office, published its first Triennial Economic Feasibility Report.⁷³ The findings indicated that under then-current market conditions (characterized by high construction costs and increased interest rates) the majority of residential development in San Francisco was financially infeasible.⁷⁴ It recommended a reduction in Inclusionary Affordable Housing rates and development impact fees, noting that low and mid-rise projects may become feasible with lower inclusionary requirements. At the time, rates were 15 to 20 percent for Inclusionary Affordable Housing and 20 to 30 percent for inclusionary housing in-lieu fees. The report also noted that in several of its hypothetical development scenarios, development remained infeasible even with all Inclusionary Affordable Housing requirements removed.⁷⁵

In response, in September 2023, the Board of Supervisors approved several measures that temporarily reduced the inclusionary housing requirements as well as other development impact fees. The impact on inclusionary housing was to reduce requirements to the bottom of the range recommended by the TAC report, with different rules implemented depending on the approval date of the project.

Changes to Inclusionary Affordable Housing Requirements

The 2023 legislation lowered the number of required on-site inclusionary units, inclusionary housing in-lieu fees, and off-site alternatives. Ordinance 187-23 (230769) (expanded by Ordinance 201-23 (File 230855)) reduced these obligations for 'Pipeline Projects' and new projects approved before November 1, 2026, provided they meet specified construction deadlines.

The scale of the reduction in the required housing percentage and inclusionary housing in-lieu fees depended on where a project was in the steps of the development project approval process:

- a) "Pipeline Projects" project approved prior to November 1, 2023
- b) "Interim" projects approved between November 1, 2023 and November 1, 2026,
- or
- c) Future projects approved after November 1, 2026.

⁷³Resolution 79-16 (File 160166), approved in 2016, establishes that through a public process, a Technical Advisory Committee (TAC) is to evaluate current housing market factors and development costs, no less than every 36 months, to assess the economic feasibility of current inclusionary requirements in an Economic Feasibility Analysis.

⁷⁴ Ben Rosenfield and Ted Egan, *Inclusionary Housing: Triennial Review of Economic Feasibility*, Memorandum to Mayor London Breed and the Board of Supervisors (San Francisco: Office of the Controller, June 30, 2023) <https://www.sf.gov/sites/default/files/2023-06/Triennial%20Economic%20Feasibility%20Report%202023.pdf>

⁷⁵ San Francisco Planning Department, *Inclusionary Affordable Housing Program*, Program Summary and Administrative Guidelines (San Francisco: City and County of San Francisco) <https://sfplanning.org/project/inclusionary-affordable-housing-program#temporary-reductions>

Inclusionary housing in-lieu fee reductions were also adopted, ranging from 3.6 to 13.6 percentage points. For example, a previously approved project of 25 or more units that would have been required to pay a fee equivalent to 30 percent of its units would now qualify for a reduced rate of 16.4 percent of its units.⁷⁶ For projects approved after the temporary program ends (post-November 1, 2026), the baseline 'quantity' is set at 24.5 percent. While this is still lower than the pre-2023 rate of 30 percent, these future projects will be subject to an annual 0.5 percent increase in this percentage starting in 2028.⁷⁷

Exhibit 18 presents a summary of inclusionary housing and in-lieu fee requirements before and after the 2023 Temporary Fee Reduction program was launched, for rental projects.

Exhibit 18: Inclusionary Requirement Reductions from the Temporary Fee Reduction Legislation (Rental Projects)

	Pre-2023		Previously Approved Pipeline Projects*		Interim Projects**		Future Projects***	
	10-24 Units	25+ Units	10-24	25+	10-24	25+	10-24	25+
Inclusionary Requirement								
On-site	15%	22%	12%	12%	15%	15%	15%	18%
Off-site or In-Lieu Fee	20%	30%	16.4%	16.4%	20%	20.4%	20%	24.5%
Reduction in Requirement (Relative to Pre-2023)								
On-site			-20%	-45.5%	0%	-32%	0%	-18.2%
Offsite or In-Lieu Fee			-18%	-45.3%	0%	-32%	0%	-18.3%

Source: Ordinances 187-23 and 201-23

*Development projects that have been Finally Approved prior to November 1, 2023, but have not obtained a first construction document.⁷⁸

**For projects 25 units or larger approved between November 1, 2023, and November 1, 2026, so long as they obtain a first construction document within 30 months.

***Effective November 1, 2026, and increasing 0.5 percent each year starting Jan 1, 2028, until reaching a cap of 24 percent for rental projects.

On October 12, 2023, Ordinance 201-23 (File 230855) was enacted, amending previous laws to authorize additional discounts for inclusionary requirements for both HOME-SF and smaller-scale projects consisting of 10 to 24 units. The legislation modified the Inclusionary Affordable Housing Program to provide that there would not be an automatic annual increase to the on-site requirements during the temporary program period. It established that starting January 1, 2028, on-site requirements will gradually increase by 0.5 percent annually until they reach a cap of 24

⁷⁶ These rates exclude projects in areas with special inclusionary requirements, for which different rates apply.

⁷⁷ San Francisco Board of Supervisors, Planning, Administrative Codes - Development Impact Fee Reductions, Ordinance No. 187-23, File No. 230769 (September 14, 2023).
<https://sfgov.legistar.com/LegislationDetail.aspx?ID=6275668&GUID=7C6647BD-1668-4290-BDD5-63CA72DCABC9&Options=ID%7CText%7C&Search=230769>

⁷⁸ Defined in the SF Building Codes as the first building permit issued for a development project or, in the case of a site permit, the first building permit addendum issued or other document that authorizes construction of the development project.

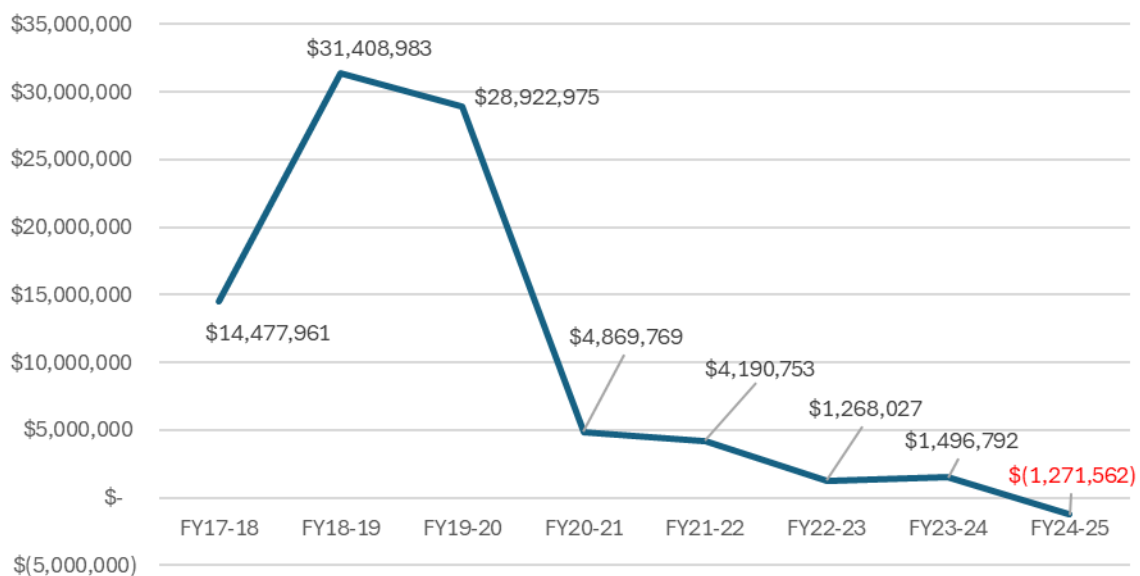
percent for rental projects. The annual increases for the off-site and in-lieu inclusionary housing fee requirements will continue until they reach a cap of 30 percent.⁷⁹

Lost Inclusionary Housing In-Lieu Fee Revenue

In-lieu fee revenue had already been in decline several years before the 2023 fee reductions. In 2017, San Francisco increased the in-lieu fee five percent above the Controller’s recommendation, incentivizing developers to build affordable units on-site rather than pay the in-lieu fee.⁸⁰ The growing use of the state density bonus law further reinforced this incentive, as it requires on-site affordable units in exchange for increased density.⁸¹

The 2023 San Francisco development impact fee reduction legislation did not appear to change the overall trajectory of the declining collection of in-lieu fees from FY 2017-18 through FY 2024-25. As shown in Exhibit 19, MOHCD collected \$14.5 million in revenue from the Inclusionary Housing Program In-Lieu Fee in FY 2017-2018, which declined to \$1.5 million in FY 2023-24 and dipped to negative \$1.3 million in FY 2024-25, reflecting the fees that MOHCD refunded to developers that decided not to proceed with their projects.

Exhibit 19: MOHCD Inclusionary In-Lieu Fee Revenue* (FY 2017-18 - FY 2024-25)



Source: MOHCD

*Negative values reflect fees that MOHCD refunded to developers that cancelled their project.

⁷⁹ San Francisco Planning Department, *Inclusionary Affordable Housing Program: Program Implementation and Monitoring*, Program Overview (San Francisco: City and County of San Francisco)

<https://sfplanning.org/project/inclusionary-affordable-housing-program#implementation>

⁸⁰ Wang, Kristy. “SF Makes Sweeping Changes to Affordable Housing Requirements,” SPUR. August 15, 2017. <https://www.spur.org/news/2017-08-15/sf-makes-sweeping-changes-affordable-housing-requirements>

⁸¹ Kearstin Dischinger, “State Density Bonus Law Overview,” presentation to the Inclusionary Housing Committee, San Francisco Planning Department, October 12, 2016, https://sfcontroller.org/sites/default/files/Inclusionary%20Housing%20Committee/State_Density_Bonus_Law_Overview_of_Onsite_Program_circulate_optimized.pdf

Note that the amounts presented in Exhibit 19 and provided by MOHCD do not exactly match those presented in Exhibit 17 and provided by DBI. The MOHCD amounts include adjustments made after the fees are collected in instances when developers rescind their project applications.

To estimate potential lost inclusionary in-lieu fee revenue based on inclusionary housing in-lieu fees collected in FY 2023-24, as reported by MOHCD, we assumed that fees would have been collected based on an average rate of 25 percent without the Temporary Fee Reduction program, which reduced the rate to between 16.4 to 24.5 percent. In that case, the lost revenue for affordable housing from just this source was approximately \$448,033, at most.⁸² This amount would not have a significant impact on affordable housing funding for San Francisco overall but that is due more to the overall reduction in housing production during that period than the change in the rates. This estimate assumes all projects in FY 2023-24 that paid inclusionary housing in-lieu fees received the reduction, that all projects that proceeded with the discount would have also proceeded without it, and does not reflect the loss in units built, only inclusionary housing in-lieu fees collected. This simplified example is for illustrative purposes only.

Changes to Other Development Impact Fees

In addition to changes to inclusionary fees, two 2023 ordinances, Ordinance 187-23 (File 230769) and Ordinance 193-23 (File 230764), reduced and restructured Article 4 development impact fees. Ordinance 187-23 implemented an upfront reduction, lowering fees by 33 percent for eligible projects. Building on this change, Ordinance 193-23 modified the timing and growth of these fees to further support project feasibility.

Specifically, Ordinance 193-23 deferred payment of 80 to 85 percent of development impact fees from the point of building permit issuance to later in the process, or by no later than the first Certificate of Occupancy.⁸³ It also revised how the fees are indexed over time, for all development impact fees except for inclusionary housing fees. Previously, the City relied on the Annual Infrastructure Construction Cost Inflation Estimate (AICCIE), an index aimed at estimating construction cost inflation, updated by the City's Capital Planning Committee each year. This index is based on past construction cost inflation and has ranged from 3 to 6 percent per year.⁸⁴ To promote the financial feasibility of development, this legislation modified the annual indexing of inclusionary housing development impact fees by replacing AICCIE indexing with a flat 2 percent

⁸² We assume that the Temporary Fee Reduction program rate of between 16.4 and 24.5 percent produced FY 2023-24 revenues of \$1,496,742. Had the pre-program rate of 25 percent been charged instead (the midpoint between the two rates before the reduction program was adopted), fee revenue would have instead been \$1,944,825, or \$448,033 more based on the rate of \$249.66 per square foot. This estimate is for illustrative purposes only and assumes that one-third of the fees charged were for previously approved projects, one-third were for interim projects, and one-third were for future projects.

⁸³ The set of fees codified in Article 4 of the San Francisco Planning Code.

⁸⁴ San Francisco Planning Department and Office of the Controller, "Interagency Plan Implementation Committee Annual Report and FY 2009-10 Development Impact Fee Report," Agenda Packet, File No. 110674, March 12, 2012. <https://sfgov.legistar.com/View.ashx?M=F&ID=1821639&GUID=962EEDD6-C1E4-46C9-946C-02F084BC280B>.

annual increase.⁸⁵ The ordinance also froze the rates and applicability of development impact fees to the time of project approval. These adjustments are listed in Exhibit 20.

Exhibit 20: Development Impact Fee Modifications Adopted in 2023 Legislation

Ordinance	Area	Impact
Ord. 187-23 (230769)	Fee Reduction	33% discount on all fees (with restrictions) for eligible projects
Ord. 193-23 (230769)	Fee Deferral	For eligible projects, deferred 80–85% of development impact fee payments from building permit issuance to no later than the first certificate of occupancy
Ord. 193-23 (230764)	Fee Indexing	Replaced the existing method of annual fee escalation based on Annual Infrastructure Construction Cost Inflation Estimate (AICCIE) with a flat 2% escalation rate per year
Ord. 193-23 (230764)	Fee Assessment	Froze the rates and applicability of development impact fees to the time of project approval for eligible projects

Source: San Francisco Legistar

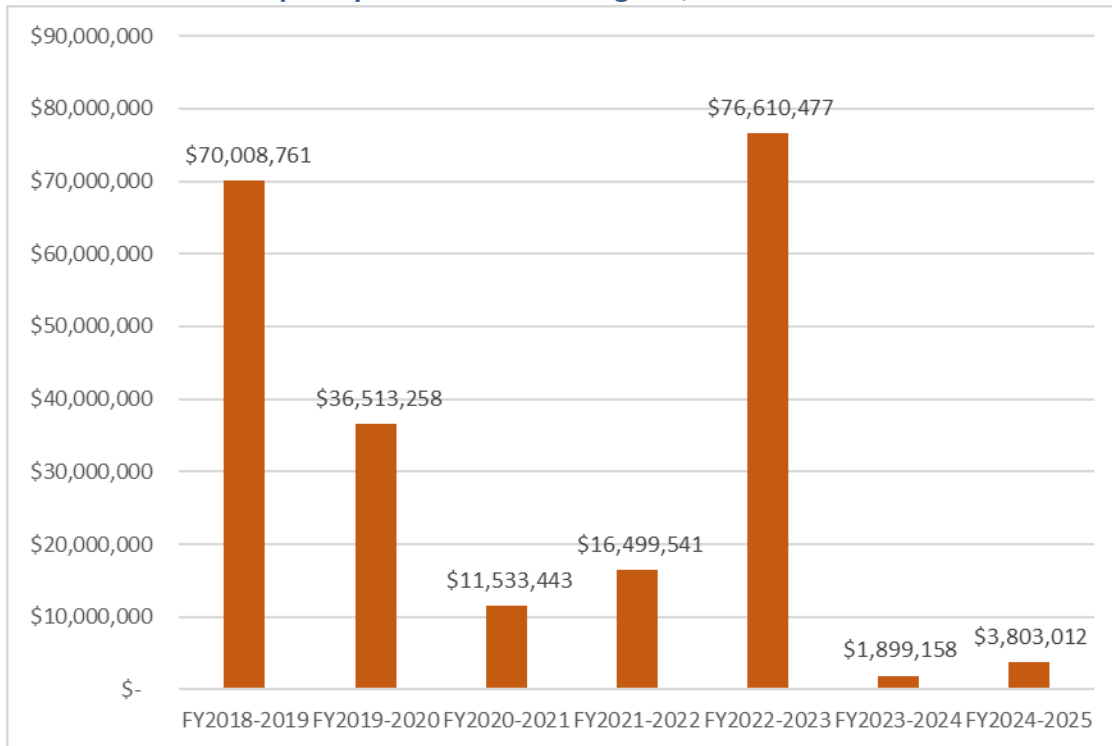
Lost Other Development Impact Fee Revenue

Data from the Department of Building Inspection (DBI) shows a downward trend in other development impact fee revenue collected by DBI between FY 2018-19 and FY 2024-25. Exhibit 21 below visualizes revenues from the development impact fees eligible for reductions.⁸⁶ These fees declined overall from \$76.6 million in FY 2022-23 – higher than FY 2021-22 in large part due to \$22.7 million from the Transportation Sustainability Fee and \$15 million from the Eastern Neighborhoods Infrastructure Impact Fee – to \$3.8 million in FY 2024-25. Exhibit 21 includes all development impact fees but excludes the in-lieu and street trees fees, to isolate the magnitude of revenue exposed to the Temporary Fee Reduction Program discounts.

⁸⁵The Inclusionary Affordable Housing Fee was originally excluded and later added through Ordinance 201-23.

⁸⁶ Balboa Park Community Infrastructure Impact Fee; Bicycle Parking In-Lieu Fee; Central SOMA Community Services Facilities Fee; Child Care Impact Fees; Downtown Park Fee; Eastern Neighborhoods Infrastructure Impact Fee; Jobs-Housing Linkage Program Fee; Jobs-Housing Linkage Program Fee (OCII); Market & Octavia Community Infrastructure Fee; Open Space Requirement in the Eastern Neighborhoods Mixed Use Districts – Alternative; Plan Area Fee - Eastern Neighborhoods - Affordable Housing; Plan Area Fee - Market & Octavia - Affordable Housing; Plan Area Fee - Van Ness & Market Residential Special Use District - Affordable Housing; Public Art Fee; Rincon Hill Community Infrastructure Impact Fee; South of Market (SOMA) Community Stabilization Fee; Transit Center Open Space Fee; Transit Center Transportation and Street Improvement Fee; Transportation Sustainability Fee – General; Transportation Sustainability Fee - Rincon Hill & Vis Valley; Union Square Park, Recreation, and Open Space Fee; Van Ness & Market Community Facilities Fee; Visitacion Valley Community Facilities and Infrastructure Fee

Exhibit 21: Revenue from Other Development Impact Fees Subject to 33% Discount Under Temporary Fee Reduction Program, FY 2018-19 - FY 2024-25*



Source: Department of Building Inspection

*Excludes in-lieu and street trees fees but includes all other development impact fees

To estimate the impact of the Temporary Fee Reduction program on development impact fee revenue, we began with the amount actually collected in FY 2024–25 as reported by DBI (\$3,803,012). We then applied the 33 percent reduction rate to calculate what would have been collected if the program had not been enacted (\$5,705,089). The difference between this amount and actual FY 2024–25 collections is \$1,902,077, which we treat as our estimate of lost development impact fee revenue.

Unlike in-lieu inclusionary housing fees, only a portion of this amount would have been dedicated to affordable housing production, as development impact fees also fund other City purposes such as infrastructure upgrades necessitated by new development projects. Of the fee revenue dedicated to affordable housing, total FY 2024–25 collections reported by MOHCD were \$422,048, as shown in Exhibit 22. Applying the same method as for all development impact fees above, we estimate that the lost revenue that would have been dedicated to affordable housing was only \$211,030, or the difference between the \$633,078 that would have been collected if the 33 percent reduction in fees had not been imposed.

This estimate is a simplification intended for illustration. It assumes that all projects paying the development impact fee in FY 2024–25 were eligible for the 33 percent reduction, that all such projects would have proceeded regardless of whether the discount program existed, and that the discount applied uniformly across projects in different parts of the City. The amount forfeited

would have been significantly higher in a year with greater fee collections, underscoring that the City's losses under this program rise in proportion to the level of housing production.

Impact on Fees Earmarked for Affordable Housing

Affordable housing development impact fee revenue declined over the period shown in Exhibit 22, falling from a peak of \$54.6 million in FY 2018–19 to substantially lower levels in subsequent years. Revenues dropped sharply beginning in FY 2020-21 and have remained below \$20 million annually since then, with particularly low collections in FY 2023-24 and FY 2024-25. (Negative revenues reflect fees that were repaid to project sponsors upon project cancellation).

Exhibit 22 presents development impact fees collected earmarked for affordable housing, as reported by MOHCD.

Exhibit 22: Affordable Housing Development Impact Fees, FY 2017-18 to FY 2024-25

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
<i>Average Annual Revenue</i>	\$12,194,814	\$3,388,149	\$7,354,192	\$18,000,433

Source: MOHCD

* FY 2019-20 included \$2.7M of Jobs/Housing fees collected, offset by \$4.9 million of fees paid in prior years returned for project which did not move forward.

** FY 2024-25 included \$957,000 of Inclusionary fees collected, offset by \$2.2 million of fees paid in prior years returned for a project which did not move forward.

Note: Due to various adjustments, total revenue per year calculated by MOHCD does not fully match total revenue calculated by DBI and presented earlier.

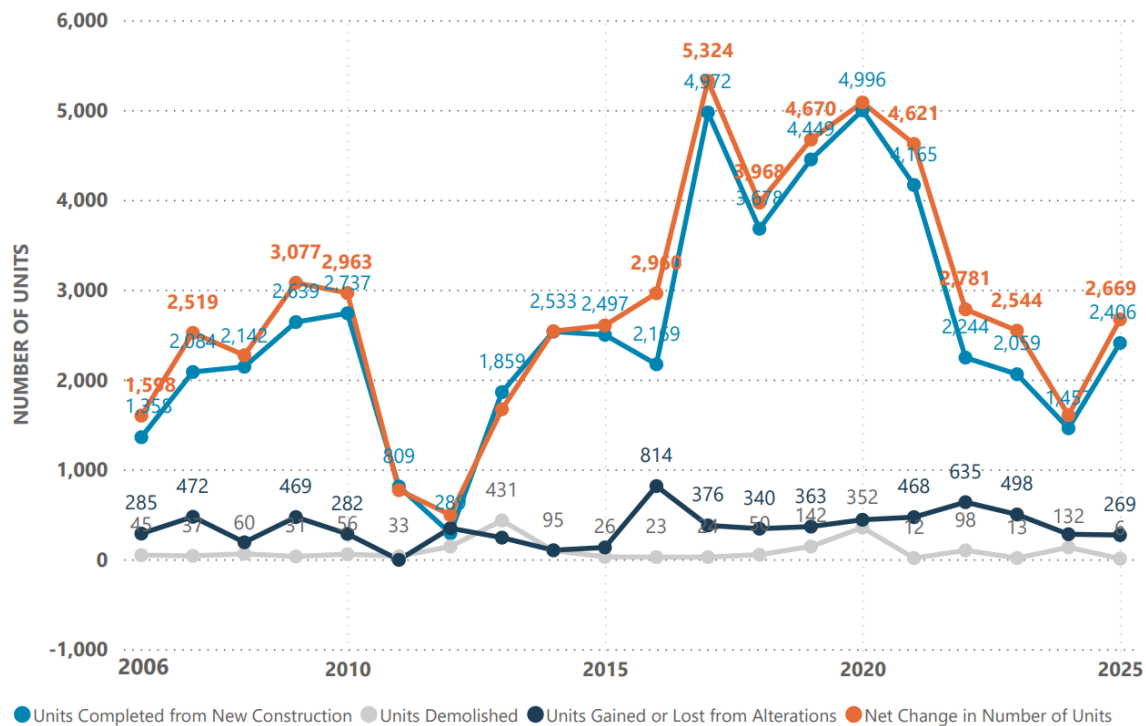
The decrease in fee revenue depicted in Exhibit 22 reflects the impacts of fewer projects paying fees, fee refunds, and, since the end of 2023, reduced fee rates and the fee deferral program. Ultimately, this assessment does not isolate the relative effect of each of these contributing factors. Nonetheless, the magnitude of the decline suggests that any increase in project feasibility from the fee reduction program was outweighed by the broader decline in housing production associated with macroeconomic factors.

Impact on Housing Production

The 2023 Fee Reduction Program was implemented against the backdrop of a prolonged downward trend in San Francisco's housing production. Exhibit 23 below shows that housing production in San Francisco fell overall from a peak of 4,972 new units in 2017 to a low of just

1,457 units produced in 2024. Because these policy interventions were introduced while the market was already in retreat, facing pressures like high interest rates and slow-growing rents discussed below, isolating the specific impact of fee reductions from broader macroeconomic trends is challenging.

Exhibit 23: San Francisco Housing Production, 2006-2025



Source: SF Planning Department

Source: San Francisco Planning Department 2025 Housing Inventory Report

To estimate the impact of the 33 percent development impact fee reductions on development projects, we applied the fee discount to development impact fees relevant to a hypothetical project. Our hypothetical new construction project has an assumed 98 units total, is 100 percent residential, and is 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)⁸⁷ on a 10,000 square foot lot.

Exhibit 24 below shows what the relevant per-unit development impact fees would be for this hypothetical project across the different Planning Areas, given the relevant Special Area Fees in each location. We then add the fees to the applicable Citywide fees. We find, as shown in Exhibit 24 below, that this can result in cost savings of up to approximately \$16,433 per unit, with costs varying depending on the neighborhood and any associated neighborhood-specific fees. Exhibit 24 reflects all relevant impact fees from the Fee Schedule,⁸⁸ totaling 25 assessed for inclusion with the number of fees applied varying dependent on project location.

⁸⁷ On average, 20-25% of a building's square footage is needed for non-residential uses.

⁸⁸ San Francisco Planning Department, *Citywide Development Impact Fee Schedule* (San Francisco: City and County of San Francisco) https://sfplanning.org/sites/default/files/forms/Impact_Fee_Schedule.pdf

Exhibit 24: 2023 Development Impact Fee Discount, Hypothetical Example⁸⁹

Hypothetical Example Assumptions: 98 units, with savings per unit calculated as total savings divided by 98 units. Assumed to be a new residential construction, 80,000 gross square feet on a 10,000 sq ft lot. Fee Tier 1 assumed for Eastern Neighborhoods Fee. Citywide fees calculated to total \$12,002 with all required street trees planted but paying the in-lieu fee for 5 bicycle spaces. Assumed \$50 million construction cost and \$88.2 million total development cost.*

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 Development 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%

Notes: The figures above exclude in-lieu inclusionary fees. The figures reflect only the 2023 policy change; in October 2025, Market-Octavia development impact fees were waived for pipeline projects.

*Citywide fees include Bicycle, Transportation Sustainability, and Childcare

**Eastern Neighborhood fees are reflected in these fees as the Central SOMA area is located within Eastern Neighborhoods

***Market Octavia fees are reflected in these fees as the Van Ness & Market Special Use District areas are located within Market Octavia.

Whether this project cost savings paired with changes in inclusionary requirements made projects financially viable depends not only on the magnitude of the discount, but on land purchase values, the size of the development, and other factors; determining with certainty whether the discount alone made any projects viable is not possible without individual project-level assessments. Nonetheless, the hypothetical example gives a sense of the magnitude of this discount. In the example, the fee reduction amounted to developer cost reductions of a maximum of \$1.6 million total savings, approximately 1.8 percent of a project that could cost more than \$88 million to build.⁹⁰

Macroeconomic Factors Affecting Housing Production in San Francisco

To accurately assess the Temporary Fee Reduction Program's impact, it must be weighed against the significant macroeconomic conditions shaping housing development during this period. This section outlines the external factors that coincided with the Temporary Fee Reduction program. While the program aimed to stimulate growth, several significant market pressures hindered development project feasibility during this time. Rising costs for labor, materials, and interest rates

⁸⁹ This calculation is for illustrative purposes only and does not represent an actual project's real discounts. The assumptions used are not representative of an actual project and used a lower-bound estimate for total construction costs, therefore likely understating the fee burden relative to a more typical project. Nonetheless, the overall savings rate is illustrative of the order of magnitude of the fee reduction.

⁹⁰ Assuming average cost of \$900,000 per unit for a 98-unit project.

created substantial financial hurdles for developers. Concurrently, a decline in rental rates and condominium prices reduced potential project revenue, further impacting viability.^{91,92} These combined factors challenged the financial viability of housing production and fee revenue, likely offsetting the intended benefits of the fee reductions.

Exhibit 25 shows the rising California Construction Cost Index (CCCI) from January 2022 to December 2025. The CCCI is a weighted average of building costs in San Francisco and Los Angeles and tracks the costs of construction trade labor and materials (such as steel, cement, and lumber). The index rose from 8,151 to 10,258 from January 2022 to December 2025, a 25.8 percent increase over that four-year period.⁹³ San Francisco's 2026 Annual Infrastructure Construction Cost Inflation Estimate, meanwhile, reported that local level construction costs saw minimal changes in 2025, after seeing growth in some indices as high as 17 percent in 2022.⁹⁴

Rising interest rates have also increased the total cost of construction. As shown in Exhibit 25, the Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity rose from 2.8 percent in 2022 to 4.1 percent in 2025. These rising rates, fueled by Federal Reserve policy, mean that projects must now generate much higher returns to justify the investment. As a result, the risk-to-reward ratio for new developments became less favorable.

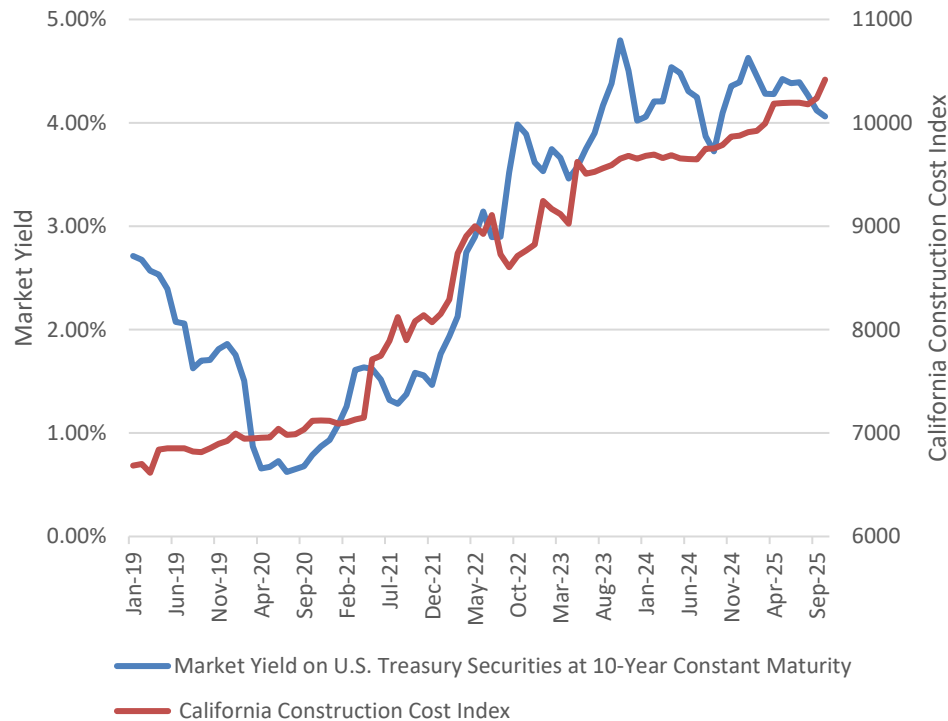
⁹¹ S&P Dow Jones Indices LLC, “Condo Price Index for San Francisco, California [SFXRCSA],” retrieved from FRED, Federal Reserve Bank of St. Louis, last modified February 24, 2026, <https://fred.stlouisfed.org/series/SFXRCSA>.

⁹² Apartment List, Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis

⁹³ California Department of General Services, Real Estate Services Division, "DGS California Construction Cost Index CCCI," <https://www.dgs.ca.gov/RESD/Resources/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>

⁹⁴ ONE San Francisco, "2026 Annual Infrastructure Construction Cost Inflation Estimate," City and County of San Francisco, December 2025, <https://onesanfrancisco.org/sites/default/files/2025-11/Agenda%20Item%206%20-%202026%20AICCI%20Presentation%20Dec%202025.pdf>.

Exhibit 25: California Construction Cost Index vs. Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity* (2019-2025)



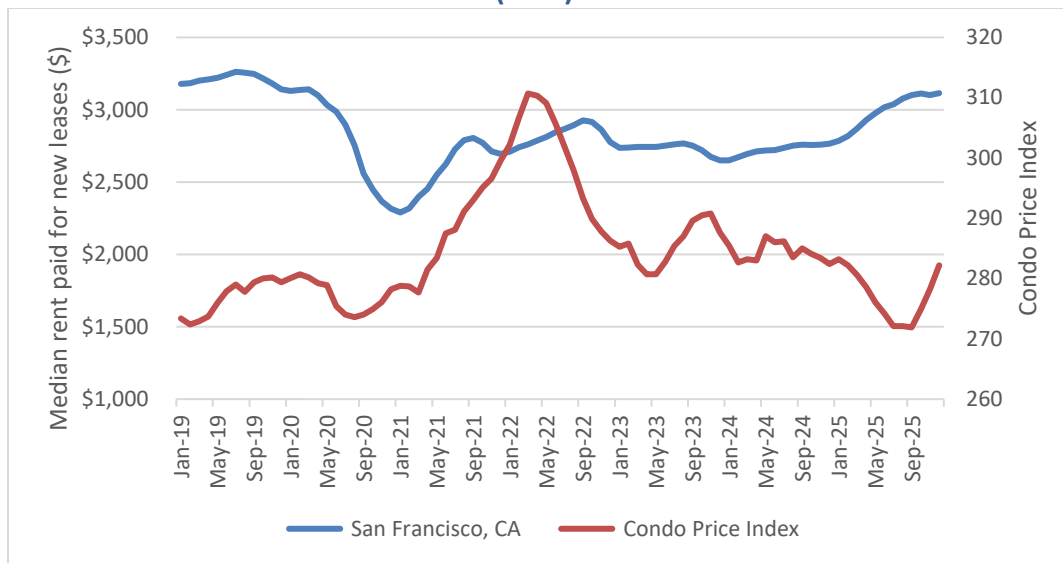
Source: Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis. Source for CCCI?
*Quoted on an Investment Basis, Percent, Daily, Not Seasonally Adjusted

Simultaneously, rents in San Francisco, while recovering, remained below their pre-pandemic peak through 2025, as shown in Exhibit 26 below. According to data from Apartment List, the average cost for a one-bedroom apartment in San Francisco County dropped from \$3,212 in 2019 to \$2,595 in 2021. Rents reached \$2,995 in 2025 and by January 2026 were nearing the pre-pandemic peak, averaging \$3,164.⁹⁵ Depressed market-rate rents make construction projects less feasible when costs exceed what can be earned by the project revenues, an increasing issue in a market with rising construction and labor costs.

As of May 2026, this situation may be changing as numerous media outlets reported a surge in San Francisco rents attributed to growth in artificial intelligence businesses in San Francisco. While it may be too soon to draw conclusions, other factors still appear to be dampening housing production.

⁹⁵ Apartment List, "Data & Rent Estimates," Apartment List, <https://www.apartmentlist.com/research/category/data-rent-estimates>.

Exhibit 26: Rent in San Francisco (1 BR) vs. Condo Price Index* 2019-2025



Source: Apartment List, Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis

*Condo Price Index for San Francisco, California, Index Jan 2000=100, Monthly, Seasonally Adjusted. Monthly estimates of the median rent paid for new leases.

Similar to rents, condominium prices remained largely stagnant from 2023 to 2025, with current prices resembling 2019. According to data reported by the Federal Reserve Bank of Saint Louis, the Condo Price Index, which tracks price changes relative to the year 2000, averaged 276.8 in 2019 for San Francisco, rose to 300.2 in 2022, and dropped to 277.2 in 2025.⁹⁶ As of December 2025, the median listing price per square foot for condos was around \$945 but by May 2026 was up to \$980, getting close to the \$1,100 and above peaks seen in 2020.⁹⁷

⁹⁶ S&P Dow Jones Indices LLC, "Condo Price Index for San Francisco, California [SFXRCSA]," retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/SFXRCSA>.

⁹⁷ Realtor.com, "Housing Inventory: Median Listing Price per Square Feet in San Francisco County/city, CA [MEDLISPRIPERSQUFEE6075]," retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/MEDLISPRIPERSQUFEE6075>.

Conclusion and Policy Considerations

In conclusion, the decline in funding for affordable housing revenue is likely driven less by recent changes to fees and inclusionary housing policy than by broader market conditions. Exhibit 27 summarizes the factors affecting affordable housing revenue and shows that macroeconomic trends, rather than fee discounts, are likely the larger driver of the revenue decline.

Exhibit 27: Forces Impacting Fees Earmarked for Affordable Housing in San Francisco

Policy or External Factor	Impact on Affordable Housing Fee Collection	Magnitude
<i>Macroeconomic Conditions</i>		
Low rents and condo prices	Negative by depressing developer revenues (discouraging production of more fee- and tax-paying projects)	Substantial
High interest rates and construction costs (labor and materials)	Negative by increasing developer costs (discouraging production of more fee- and tax-paying projects)	Substantial
<i>City Policy</i>		
Impact Fee Reduction	Positive to developers (helps project feasibility, thereby encouraging the production of more fee- and tax- paying projects) and negative to City (reduction in inclusionary units built and/or in-lieu fees paid)	Approximately \$400k to \$1.7 million revenue lost in hypothetical 98-unit development example. Impact on project viability may have been marginal; up to only 1.8% of hypothetical project development costs.
Inclusionary Requirement Reduction	Both positive (helps project feasibility, thereby encouraging the production of more fee- and tax- paying projects) and negative (reduction in inclusionary units built and/or in-lieu fees paid)	Inclusionary requirements remain substantial at \$40,000 to \$92,000 per unit under current policy.

Source: BLA, Planning Department's May 2025 Housing Constraints analysis, Controller's April 2026

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*Based on a hypothetical example project.

While affordable housing revenue stemming from housing development has declined, the data indicates that this trend results from a convergence of factors driven primarily by market conditions. Because these fees reflect many independent decisions by individual project sponsors, the fee reductions may have made some projects viable and encouraged sponsors to proceed. However, the data needed to determine with certainty whether impact fees affected project feasibility do not exist. In any case, any individual decisions to proceed with housing development projects were not numerous enough to offset the macroeconomic forces that have led to lower construction activity and reduced fee revenue.

As the Inclusionary Technical Advisory Committee has noted, maintaining high fees and inclusionary requirements during periods of stagnant development yields neither revenue nor housing at any income level; for the City to generate funds and new housing, fee structures must

allow projects to remain financially viable. However, as shown above, inclusionary requirements and development impact fees are a small portion of total development costs and their three-year relaxation starting in 2023 did not result in a turnaround in housing production in San Francisco.

While the impacts of development impact fee reductions on individual projects may be meaningful, their impact on the City beyond affordable housing funding should also be considered. These fees are intended to offset the infrastructure and service demands generated by new housing, including transportation, public safety, parks, utilities, and other public facilities. By reducing those fees by 33 percent, the program correspondingly diminishes the City's capacity to pay for these associated impacts, thereby transferring a portion of the long-term financial burden to other City sources.

The Inclusionary Housing Technical Advisory Committee's most recent Triennial Economic Feasibility Report, released in April 2026, found that achieving financial feasibility of market-rate housing development is currently very challenging. None of the financial models could support any inclusionary housing, and each was significantly worse than the same models in the 2023 study.

To ensure fee structures support project viability long term, the City should reevaluate its approach to implementing its stated policy goal to "maximize the affordable housing requirements without harming the financial feasibility of market-rate development".⁹⁸ In practice, affordable housing requirements affect market-rate housing as just one piece of a broader set of City policies. Given this context, the TAC has recommended that the City "consider other policies to improve the feasibility of new housing development." By expanding the scope of the triennial assessment to consider policy levers beyond inclusionary rates, the City can generate recommendations that holistically promote project viability. A comprehensive approach can better advance the City's goals of stimulating overall housing production and as well as affordable housing development.

To further improve near-term financial feasibility, the City could also explore temporary deferrals of the inclusionary component, such as allowing new developments to operate fully at market rate for an initial five-to-ten-year period before inclusionary requirements take effect. If the City wishes to safeguard and prioritize inclusionary housing, it could establish a floor on minimum inclusionary requirements that applies regardless of economic conditions, to prevent projects from proceeding without dedicated affordable units. In addition, the City could adjust the distribution of required units to prioritize the lowest-income and most vulnerable households by eliminating moderate-income unit requirements while retaining and protecting lower-income unit requirements.

Finally, to effectively evaluate the success of these policy interventions, the City should improve its data and reporting relating to its fee deferral program. Currently, the City does not require reporting on whether projects are utilizing specific discount programs. Future legislation could mandate reporting on discount usage and fee collection. This enhanced tracking could help

⁹⁸ San Francisco Board of Supervisors, Resolution 079-16 (File 160166), March 11, 2016
<https://sfgov.legistar.com/View.ashx?M=F&ID=4302571&GUID=8243D8E2-2321-4832-A31B-C47B52F71DB2>

policymakers assess the effectiveness of incentive programs and track revenue impacts of policy changes.

Temporary Fee Reduction Program Impact Recommendations

The Board of Supervisors should:

- 2.1 Consider amending the Administrative Code provisions regarding the Inclusionary Housing Technical Advisory Committee's duties to include policy levers beyond inclusionary rates to develop recommendations that holistically promote project viability while maximizing affordable housing resources.
- 2.2 Consider imposing longer term temporary deferrals or moratoriums in inclusionary housing requirements and development impact fees when economic conditions warrant but retaining the ability to reinstate them when they are found to not have an adverse impact on resources for affordable housing and other City purposes such as development-related transportation impacts.
- 2.3 Request that City staff improve tracking and reporting of development impact fee collections to better measure the impact of inclusionary/development impact fee discount and deferral programs and for greater data consistency between City agencies that collect and report on impact fee revenues.

3. Financing Strategies

Out of San Francisco's RHNA goal of 82,069 housing unit goal,⁹⁹ over half (46,598) are designated for very low, low- and moderate-income households. As shown earlier in this report (Exhibit 7), the City faced a deficit of 72,448 units as of 2025. This represents a mere 12 percent progress toward the state-mandated targets, leaving 88 percent of the required housing unauthorized or unprojected as of the end of 2025.¹⁰⁰

Financing this magnitude of units will require large amounts of both private and public capital. While market-rate developments rely on private investment, affordable housing requires a complex stack of state and federal funding (including tax credits), municipal "soft loans" and operating grants, and private construction loans and permanent mortgages, often with reduced interest due to tax-exemptions. Thus, the City will need to use a combination of strategies to acquire enough capital for this large volume of affordable housing. At the 2025 production rate of 1,758 affordable units per year, it would take San Francisco over 23 years to build the remaining RHNA deficit of 40,533 affordable units.¹⁰¹

Exhibit 29 below shows that financing more than 46,000 affordable units by 2031 could require over \$17.9 billion in local public subsidized loans and/or grants. This equates to \$3 billion annually in the six-year period (FY 2025-26 to FY 2030-31). This estimate assumes the goal is achieved through new construction only, that no other type of affordable units are built, and that the per-unit subsidies are \$405,000 for very low-income, \$450,000 for low income, and \$490,000 for moderate-income units. Moderate-income units require higher local subsidy because they do not qualify for tax credits and do not generate enough additional permanent debt to offset that. The estimate also assumes the City can secure all necessary matching subsidies, as the City subsidy amount would need to be matched by a similar amount of state and federal subsidy for lower income units.

The estimate decreases to \$17 billion if we add the assumption of 920 inclusionary units (using 5-year average from Housing Inventory report) and 1,625 affordable ADUs (using 5-year average from the Housing Inventory Report).^{102 103} These estimates are illustrative and could vary.

⁹⁹ This must account for both projected construction as well as those that could be built based on zoning rules.

¹⁰⁰ San Francisco Planning Department, *2025 San Francisco Housing Inventory* (San Francisco: San Francisco Planning Department, pub. April 2026), https://sfplanning.org/sites/default/files/resources/2026-04/2025_Housing_Inventory.pdf

¹⁰¹ Although the total RHNA deficit is 72,488 units, Above Moderate units are not counted as affordable units. Subtracting these units from the total, the RHNA deficit of affordable housing units is 40,533 units.

¹⁰² The Planning Department uses the recommendation from the Association of Bay Area Governments to count ADU affordability as follows: 30% very low-income, 30% low-income, 30% moderate income, and 10% above-moderate income.

¹⁰³ Calculated as $40,533 - (920 + 1,625) = 37,988$ total units requiring subsidy. This figure is multiplied by the average of three MOHCD per-unit subsidy estimates (\$448,333), assuming the three affordability levels are evenly distributed across units.

Exhibit 29. Estimated Public Funding Needed to Meet RHNA Goals through New Construction by 2031

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

Source: Subsidy estimates from MOHCD. Assumes average cost per unit of \$900,000.

The estimates above are for illustrative purposes only and do not include important programs like MOHCD's preservation program. Furthermore, it is likely overstated because it assumes all the low and moderate income units would require subsidy. This is not the case since units are considered affordable based on rent or sale price, not based on whether they have long-term affordability restrictions or subsidies. Privately owned, market-rate units can count as affordable if they're rented or sold at prices considered affordable. Although it's unlikely for lower income units to be produced without subsidy in San Francisco according to Planning Department staff, moderate income housing has more potential. Though this section of the report focuses on City financing strategies, another strategy for the City could be how to encourage more privately funded low- and moderate-income housing.

Assessment of One-Time vs. Ongoing Funding Sources

San Francisco's existing funding streams for the production and preservation of affordable housing, discussed in Section 1, are primarily a mix of one-time sources and recurring sources. However, most fail the criteria of large, sufficient, and ongoing since even the recurring sources remain limited or are tied to changing political or economic conditions.

For example, although some federal programs are ongoing, they are limited and subject to changes in federal policy. The 2025 One Big Beautiful Bill Act (OBBBA) expanded Low-Income Housing Tax Credits (LIHTC). However, other important programs like the Community Development Block Grant (CDBG) program, Project-Based Rental Assistance (PBRA), the Section 8 Housing Choice Voucher Program (both tenant-based and project based-vouchers), and HOME Investment Partnerships Program remain subject to the annual budget cycle.¹⁰⁴

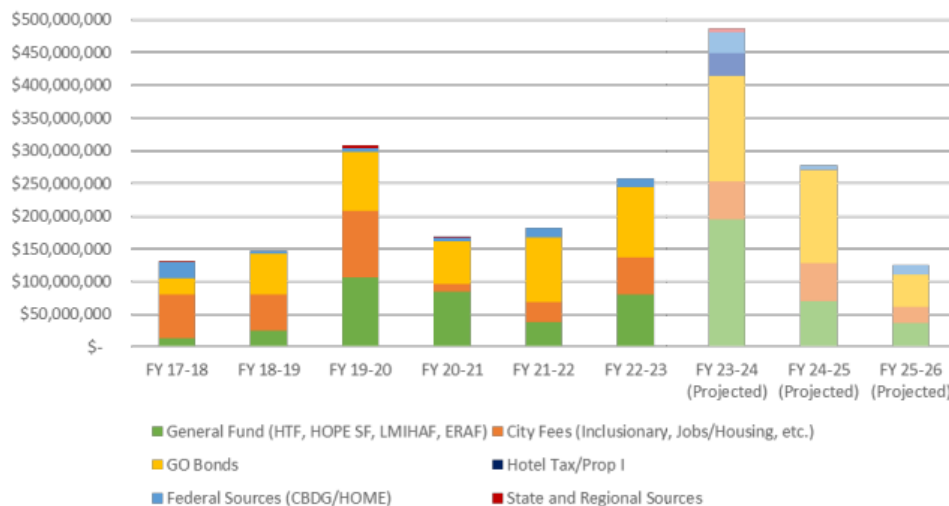
Locally, General Obligation bonds have been the most important source of funding, but future bonds will require periodic City authorization and voter approval. Exhibit 31 below shows how MOHCD actual and projected funding sources have shifted since FY 2017-18. From 2016 through 2023, bonds and Educational Revenue Augmentation Fund (ERAF) were expected to significantly

¹⁰⁴ LeSar Development Consultants, "FY 2026 HUD Funding Enacted; Bipartisan Housing Reform Advances," March 4, 2026, <https://lesardevelopment.com/fy-2026-hud-funding-enacted-bipartisan-housing-reform-advances/>.

increase funding.¹⁰⁵ These spikes in funding and production cannot be used for long-term budget planning.

Other funding sources have time-bound lifespans: redevelopment funds for affordable housing were available shortly after the San Francisco Redevelopment Agency was dissolved in 2012, but that source has now been spent down. Currently, OCII funding is limited to spending on “enforceable obligations” approved by the State Department of Finance and MOHCD can no longer rely on this source. OCII has created a new related opportunity with SB 593 that will enable additional tax increment bonds, discussed later in this section.¹⁰⁶

Exhibit 31: Historical Affordable Housing Funding and Projections¹⁰⁷



Source: San Francisco Housing Affordability Strategies Report

The lack of stable funding is a documented issue for affordable housing developers. The Planning Department’s Affordable Housing Sites Analysis and Strategies (AHSAS) December 2025 report covered the results of working sessions with affordable housing practitioners and other community-based organizations. In these sessions, practitioners highlighted a lack of “stable and predictable funding sources” and requested that the City sequence resources based on project needs to align funding availability with site readiness. The report also highlighted the role of predictable funding in improved planning, reduced delays, and better-managed costs for developers.¹⁰⁸ Greater funding predictability could help lower costs in the long run as the City would be able to plan more strategically for how to use funds.

¹⁰⁵ San Francisco Planning Department, *Housing Affordability Strategies*.

¹⁰⁶ Office of Community Investment and Infrastructure, "Housing Program & Goals," <https://sfocii.org/housing/housing-program-goals>.

¹⁰⁷ This is historic data and not representative of future trends. It is included to show how changing funding sources impact

¹⁰⁸ San Francisco Planning Department, *Affordable Housing Sites Analysis and Strategies: Final Report* (San Francisco: San Francisco Planning Department, December 2025) <https://sfplanning.org/sites/default/files/documents/citywide/AHSAS-final-report-2025.pdf>

Options to Increase Funding

San Francisco must pursue multiple strategies to increase the production of affordable housing to meet its RHNA goals. This section explores the ten options below, selected because they offer the potential for substantial additions to affordable housing funding, in many cases on an ongoing basis. This section concludes by discussing how advocacy and efficiency measures can further reduce housing production costs while securing sustainable, long-term funding sources.

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

Most of these options, apart from a discussion on new taxes, involve tradeoffs in which the City would forego some current or future resources by making a commitment to substantial and, in some cases, ongoing funding for affordable housing. Other than the Housing Trust Fund for which an annual General Fund allocation of approximately \$50.2 million for affordable housing is codified in the Charter, such a commitment has not been made to date so this would represent a change in policy for the City. However, as evidenced in the housing data presented above and input from key stakeholders, the absence of sustained, substantial commitments to affordable housing has left the City with a significant deficit in its affordable housing inventory and production relative to need. Further, as detailed below, some of the options discussed involve initial commitments of City staff time and funding to implement the alternative, with financial self-sustainability achieved over time.

Funding Recommendations from the Affordable Housing Leadership Council

The Affordable Housing Leadership Council, a group convened as part of implementation of San Francisco's 2022 Housing Element Update, prepared its *Affordable Housing Funding and*

Recommendations Report in February 2024.¹⁰⁹ The Council, made up of affordable housing developers, advocates, and experts and philanthropic organizations, supported by a technical working group with a similar but more expansive composition, prepared a report containing 59 recommendations for funding and other strategies needed to fund and enable affordable housing production in San Francisco.¹¹⁰

We used the Leadership Council's report as a springboard for our report and have included a subset of their recommendations that we conclude would result in increases in the amount and stability of funding for affordable housing in San Francisco and we developed other recommendations with the same goals. As stated in the Leadership Council's report,

“...MOHCD currently operates much like other local housing finance agencies, focused primarily on providing loans and public subsidy directly to affordable housing developers, with local funding raised through sources like bonds and fees. However, many of the financing tools currently used do not lend themselves to long-term sustainability and maximizing impact in the way that other housing finance entities do.”¹¹¹

While all the Leadership Council's recommendations could improve affordable housing financing, we did not include recommendations we thought would be less likely to produce measurable increases in funding on their own such as recommended advocacy efforts for changes in state and federal laws regarding affordable housing funding. Many of the Leadership Council's recommendations are already underway, including coordination between the Housing Authority and MOHCD, cost reduction efforts, and streamlined permitting.

With so many valuable recommendations in the Leadership Council report, we do recommend that the City establish a formal process and dedicated staff to further assess, implement, and periodically report to the Board of Supervisors on outcomes of the recommendations determined to still be relevant. Given the large number of reports MOHCD produces annually, the Board of Supervisors should explore pathways to enhance follow-up and accountability on these recommendations while minimizing additional reporting burdens on City staff. Reporting on the status of the Leadership Council recommendations on a periodic basis such as every two years would reduce the burden on staff while ensuring that the work of the Leadership Council and staff in developing the recommendations is not lost.

Types of Recommendations in this Report

Many of the options discussed below have overlapping characteristics. Though presented individually because they could be implemented independent of each other, combining several of them should also be considered. For example, a joint powers agreement may be the most beneficial structure for the City to use to establish a revolving loan fund or to create an open indenture, but this is not the only feasible approach. As the Board of Supervisors and City staff

¹⁰⁹ The Housing Element included a program of actions, per California Government Code Section 65583(c), to implement the Element's policies. The Leadership Council report reflects action 1.1.1

¹¹⁰ San Francisco Affordable Housing Leadership Council, *Affordable Housing Funding and Financing Recommendations Report*, (San Francisco: San Francisco Planning Department, February 2024), <https://sfplanning.org/sites/default/files/documents/citywide/ahlc-ahff-report.pdf>

¹¹¹ Mayor's Office of Housing and Community Development, San Francisco Planning, Enterprise, *Affordable Housing Funding and Financing Recommendations Report*. 2024 p. 97

consider options for enhancing both the quantity and sustainability of funding for affordable housing, it will need City staff, stakeholder and development expert input on the structure that is most beneficial and whether some options presented below should be considered together or independently.

1. Establish a Revolving Loan Fund for Affordable Housing

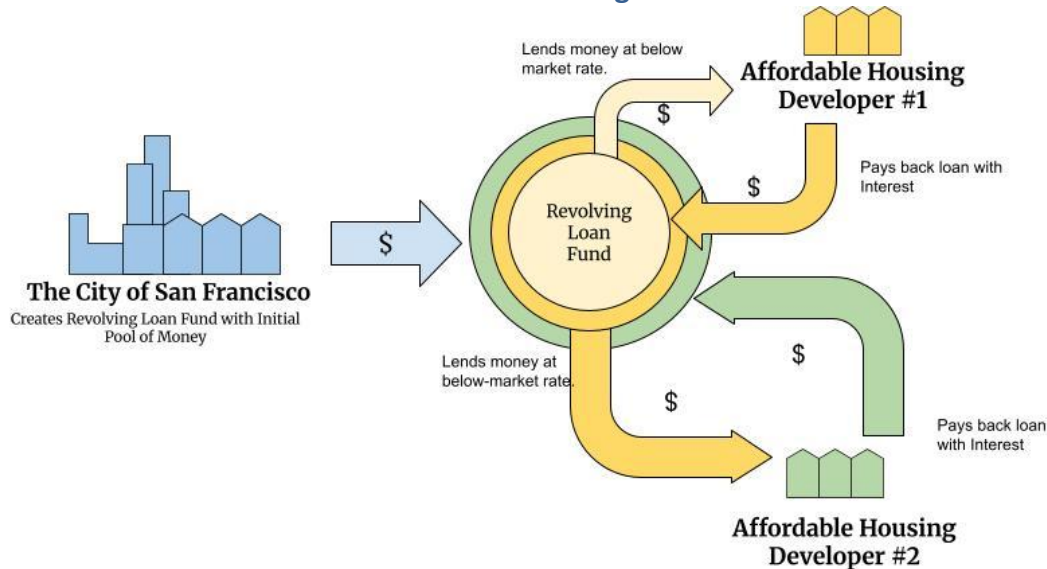
A revolving loan fund is a self-replenishing pool of money that can be used to make loans for a variety of public purposes including affordable housing. Providing low interest loans from the fund helps make the housing affordable and repaid loan money is lent to other borrowers to continuously fund more affordable housing projects, creating an ongoing source of funding for projects. The City could consider using a revolving loan fund to help finance the creation and maintenance of affordable housing. A revolving loan fund can utilize public capital, private capital, or both.

The City administers several loan programs for housing through MOHCD and for business support through the Office of Economic and Workforce Development (OEWD). For example, the Preservation and Seismic Safety loan program (PASS) funds the acquisition and rehabilitation of residential and commercial buildings while preserving affordable housing. Initial funding for PASS came from a 1992 General Obligation bond for seismic retrofits in the wake of the Loma Prieta earthquake. Since much of that funding went unused it was later repurposed for affordable housing via the City's 2016 housing General Obligation bond. The program has disbursed \$174 million in loans since it issued its first round of funding in 2019.¹¹² With PASS and other loan programs, the City has a demonstrated ability to operate as a lender for multiple programs. The City is also considering creating a revolving Preservation Loan Fund to replace PASS, once its funds are exhausted. Additionally, the Office of Economic and Workforce Development administers the Small Business Revolving Loan Fund and other loan programs to assist small businesses.¹¹³

¹¹²Mayor's Office of Housing and Community Development, *Preservation and Seismic Safety Program (PASS) General Obligation Bond (2016 Affordable Housing GO Bond): CGOBOC Report*, Dec. 2025 https://media.api.sf.gov/documents/CGOBOC_Report_-_PASS_Program_December_2025.pdf

¹¹³San Francisco, Office of the Mayor, *Citywide Small Business Support*, 17 July 2023, https://www.sf.gov/sites/default/files/2023-07/7.17.23%20Small%20Business%20Support_0.pdf

Exhibit 32: Revolving Loan Fund



Source: BLA

Impact, Cost & Implementation

A revolving loan fund would help affordable housing projects achieve financial feasibility through lower cost debt. A \$100 million municipal revolving loan fund, offering five-year construction loans, could use annual repayments to create a revolving cycle for new affordable housing development projects. The \$100 million in debt could potentially be multiplied approximately ten times over time, leveraging \$1 billion in total public investment over time.¹¹⁴

To capitalize a revolving loan fund, the City would need to identify an initial pool of funding. Additional administrative infrastructure such as staff, equipment, and business procedures would be needed to put this fund to use once the initial capital is acquired. . Should the City decide to implement a revolving loan fund, it would need to pass an ordinance to create the fund, define its purpose, designate an administering agency such as MOHCD, and fund additional staffing.

Examples

One of the most well-known examples of a revolving loan fund for affordable housing development is Montgomery County, Maryland's Housing Production Fund (HPF). The county's Housing Opportunities Commission, a housing financing agency and public housing agency separate from Montgomery County, created a low-cost revolving construction loan fund in 2021 with an initial investment of \$50 million from the proceeds of bonds it issued followed by a second \$50 million in 2022, for a grand total of \$100 million in initial funding. With this funding, the Housing Opportunities Commission makes low interest construction loans to private or non-profit developers for development of mixed income housing developments, with a certain percentage of units required to remain affordable in perpetuity. These loans replace higher interest rate

¹¹⁴ "Affordable Housing Revolving Loan Fund" (proposal, San Francisco, CA, [n.d.]), [https://media.api.sf.gov/documents/Proposal - Revolving Loan Fund.pdf](https://media.api.sf.gov/documents/Proposal_-_Revolving_Loan_Fund.pdf)

private mezzanine debt and/or equity investment typically used to cover construction costs in market rate multifamily transactions. MOHCD reports that the Montgomery County program makes 30 percent of the subsidized units affordable (20 percent at 60% AMI, 10 percent at 50% AMI), with the balance at market rate.

The Housing Opportunities Commission's construction loans are typically for five years or through construction and lease up of the development projects. At that point, these public loans are repaid by increasing the size of the permanent mortgage on the property after the project has stabilized. Typically, ongoing project debt is repaid at lower interest rates than construction debt because the projects are considered lower risk by lenders since they then have rent revenue as an ongoing source of cash. Because the Housing Opportunities Commission provides low interest funding for construction of affordable housing projects, it maintains ownership or a controlling interest of the projects, ensuring that a percentage of the units will remain permanently affordable for tenants relative to area median income.

Montgomery County has committed to appropriating \$3.4 million per year for twenty years to cover debt service on the Housing Opportunities Commission's bonds. Ongoing support from the County is not expected to be necessary after 20 years, when the combination of loan repayments and rental income from the housing developed is expected to be sufficient to cover debt service, operating costs and funding for new loans.

The Montgomery County fund is anticipated to be used for construction loans for 6,000 housing units over twenty years.¹¹⁵ The National Housing Crisis Task Force posits that it could theoretically support up to \$1 billion of total development over 10 years.¹¹⁶

A number of other cities and states have established or are pursuing a revolving loan fund model for affordable housing including Atlanta, Chicago, and Chattanooga and the states of Massachusetts, Michigan, New York, and Utah. The Center for Public Enterprise reports that most of the models in other cities and some states are like Montgomery County's approach though variations on this approach have been established in some states such as Michigan and Massachusetts. Not all programs have been successful, but Montgomery County is achieving its housing goals. Several states have replicated this program, shown in Exhibit 33, with funds up to \$100 million in New York, Michigan, Massachusetts, Utah, and Oregon.¹¹⁷

¹¹⁵ Housing Opportunities Commission of Montgomery County website, www.homc.org: "About the Housing Opportunities Commission: About the Housing Production Fund".

¹¹⁶ Paul Williams et al., *Mixed-Income Public Development Model: Local Housing Finance Agency Innovation* (National Housing Crisis Task Force, June 2025), <https://nationalhousingcrisis.org/app/uploads/2025/06/Mixed-Income-Public-Development-Model.pdf>

¹¹⁷ Ashwin Warrior, "States Roll Out Revolving Loan Funds to Accelerate Housing Production," Center for Public Enterprise, September 8, 2025, <https://nationalhousingcrisis.org/states-roll-out-revolving-loan-funds-to-accelerate-housing-production/>.

Exhibit 33: Existing Revolving Loan Funds

State-level Revolving Loan Funds for Construction

Program Name	Fund Size	Year	Target
Michigan Housing Accelerator Fund	75,000,000	2025	Multifamily rental
New York State Housing Acceleration Fund	100,000,000	2025	Multifamily rental
MassHousing BILD (Bringing Innovation to Lending and Development)	50,000,000	2024	Multifamily rental
Utah Homes Investment Program	300,000,000	2024	For sale, single family & condo
Oregon Moderate-Income Revolving Loan Fund	75,000,000	2024	Multifamily rental

Current as of Sept. 2025. Fund size based on publicly available estimates and reporting.

Table: Center for Public Enterprise • Created with Datawrapper

Source: Center for Public Enterprise

The Bay Area is experimenting with revolving loan funds to finance affordable housing. The Housing Accelerator Fund (HAF) launched the Industrialized Construction Catalyst Fund (ICCF) in early 2025. This \$10 million revolving loan pool funded by the Chan Zuckerberg Initiative aims to construct hundreds of affordable units through industrialized production.¹¹⁸ However, given the recency of this program, it is too soon to measure impact on housing stock. Though not geared toward construction financing, another local use case is MOHCD's Downpayment Assistance Loan Program (DALP), in which borrowers repay the principal plus a share of appreciation when the home is sold or transferred, and those repayments help replenish capital for future loans.¹¹⁹ After issuing loans in 2025, MOHCD reports a total of approximately \$5.2 million in Downpayment Assistance Loan Programs fund balance as of May 2026.¹²⁰

Tradeoff Considerations

If the City and County of San Francisco chooses to implement a revolving loan fund for short-term construction loans for affordable housing, it would need to identify an initial source of capitalization and ensure sufficient staffing or contractors for processing loan applications.

¹¹⁸ Housing Accelerator Fund, "Housing Accelerator Fund Launches Industrialized Construction Catalyst Fund to Deliver Affordable Homes Faster through Construction Innovation," February 28, 2025, <https://www.sfhaf.org/2025/02/28/housing-accelerator-fund-launches-industrialized-construction-catalyst-fund-to-deliver-affordable-homes-faster-through-construction-innovation/>

¹¹⁹ Mayor's Office of Housing and Community Development, "Downpayment Assistance Loan Program (DALP)," <https://www.sf.gov/reports--december-2024--downpayment-assistance-loan-program-dalp>

¹²⁰ Mayor's Office of Housing and Community Development "MOHCD loan program balances" <https://www.sf.gov/data--mohcd-loan-program-balances>

Following the successful mixed-income Montgomery County model, initial funding could be obtained through issuing debt (\$100 million in debt was issued in Montgomery County), with the City providing funds annually for debt service on those bonds (Montgomery County committed to \$3.4 million in funding per year for this purpose). The bonds could be issued by the City though they would have to compete with other City bond funding initiatives, including more traditional bonds for affordable housing, all of which would need to stay within the City's overall debt ceiling, discussed further below.

Initial City funding should be considered temporary as the revolving loan fund should become self-sustaining after a certain number of years (twenty in Montgomery County's case). A key to the feasibility of a revolving loan fund such as Montgomery County's is that the funded projects are mixed income, meaning that not all of the developed units will serve the most needy. However, the mix allows for production of housing for lower income households through subsidies by the middle income households, creating a net increase in affordable housing for various income brackets compared to what would be produced with only San Francisco's current approach.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors could request that City staff prepare a detailed proposal for Board consideration that would establish a revolving loan fund for affordable housing. The proposal should include multiple scenarios with varying levels of initial capital from bonds and City funding to initiate the fund, projections of how much new affordable housing could be funded under each scenario, and the length of time until the fund becomes self-sustaining.

2. Implement a Joint Powers Agreement (JPA)

The City can consider leveraging the benefits of a Joint Powers Agreement (JPA), a contract between public agencies that enables them to cooperate or create an independent agency to exercise the powers and share resources of the partners. As allowed by state law, Joint Powers Authorities (JPAs) are in place throughout California for a variety of purposes, including affordable housing. In their 2022 brief “The ABCs of JPAs”, the Turner Center for Housing Innovation states that the structural benefits of JPAs show promise as an important tool for supporting affordable housing production when well-governed, transparently structured, and designed with a clear public purpose.¹²¹

As an example, creation of a JPA in San Francisco through an agreement between MOHCD and the San Francisco Housing Authority would enable the two agencies to pool resources, eliminate any redundancies, and would provide another avenue for the funding and development of affordable housing beyond what is already in place. Key benefits of creating an affordable housing JPA in San Francisco would be:

- Bonding authority: the entity could issue debt to provide a new source of funding for affordable housing exempt from the City’s debt limitations, and
- Property tax exemptions for JPA-owned affordable housing that meets certain criteria since the JPA would be eligible for a government purpose tax exemption.

These features would enable a JPA to develop viable affordable housing projects without sources such as the oversubscribed Low-Income Housing Tax Credit (LIHTC) that is central to traditional affordable housing projects. The JPA would be able to leverage a more robust balance sheet and financial tools than either of the agencies independently.

Though not required, the revolving loan fund alternative discussed above could be implemented through a JPA between MOHCD and the Housing Authority. Such a JPA would serve as partial or full owner of the new affordable housing projects created through the revolving loan fund. This would mean the projects would not be subject to property taxes as one way of ensuring their affordability. In the Montgomery County model, that county’s Housing Opportunities Commission is at least a partial, if not full, owner of the affordable housing developments it funds. For financial viability, the projects would need to be mixed-income, with subsidies for lower income households provided by rent paid by higher income households.

In their report, *The ABCs of JPAs*, the Turner Center for Housing Innovation reports the growing use of JPAs for middle-income housing in California. Specifically, a model has emerged in recent years where JPAs purchase multifamily properties and restrict rents to keep them affordable for households with up to 120% of AMI. Typically, these projects restrict one third of their units to no more than 80% of AMI, one third to no more than 100% AMI, and one third to no more than 120% AMI. The JPAs assume an ownership stake of these properties, meaning that the housing is exempt

¹²¹ Ben Metcalf, Sarah Karlinsky, and David Garcia, *The ABCs of JPAs: California's New Tool for Creating Middle-Income Housing* (San Francisco and Berkeley: SPUR and the Turner Center for Housing Innovation, June 2022), https://turnercenter.berkeley.edu/wp-content/uploads/2022/06/SPUR_The_ABCs_of_JPAs.pdf

from property tax, and remain affordable in perpetuity. The projects do not require subsidy in the same way that traditional affordable housing does and the JPA benefits from its equity in the properties as their value increases over time. While the Turner Center reports that most of these JPAs have purchased rather than constructed housing units, the model can also be applied to construction of new housing through partnerships with private developers, similar to the Montgomery County approach. A primary value to the City of using a JPA for mixed-income housing would be to create a legally structured instrument better suited to fund, own and operate multifamily rental properties without any limitations the City faces in this regard due to internal processes and procurement rules.

Implementation

To implement a JPA, the City would need to create a formal agreement between public agencies such as MOHCD and the San Francisco Housing Authority to define responsibilities for real estate acquisitions, property management, and long-term asset management. MOHCD staff suggest that San Francisco work with the San Francisco Housing Authority (SFHA) as the primary owner and operator, with supplemental City financial support.¹²² Implementing this model would require formal amendments to SFHA's annual and strategic plans, alongside dedicated funding from the City.

According to MOHCD staff, using SFHA as the lead agency limits the City's direct liability, leverages property tax exemptions, and leverages SFHA's existing operational infrastructure. However, it would require that SFHA enhance its internal financial capacity to manage this specific scope of work. SFHA currently manages only two public housing properties, so this would expand that portion of their work and would require careful planning and consideration. As an alternative, MOHCD staff suggest that the Bay Area Housing Finance Authority (BAHFA) or the California Housing Finance Agency (CalHFA) could establish a dedicated program for this work, should the City negotiate oversight terms to ensure alignment with local policy goals.

Tradeoff Considerations

The ability to issue bonds for affordable housing projects outside of the City's debt capacity would be a major advantage of the City creating an affordable housing JPA. However, this also means that debt issued by the JPA would not be guaranteed by the full faith and credit of the City and County of San Francisco and would need other assets and revenue streams to guarantee its debt issuances. Housing Authority properties could be a starting point followed by the JPA-funded affordable housing project revenues as they come online since the new entity would at least partially, if not fully, own these properties. Such ownership would mean the JPA would need to assume greater responsibility for managing real estate than the City currently assumes. The City would need to set up processes and procurement structures for the JPA to deal with these new responsibilities, such as property management and ongoing maintenance, as well as major recapitalizations.

As mentioned above, affordable housing units under the JPA's jurisdiction would be exempt from property tax to the extent they meet certain AMI requirements. This would mean a reduction in

City revenues to the extent the JPA projects would have otherwise been privately built and contributed to the City's property tax revenue.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors could request City staff to prepare a proposal for Board consideration that lays out the recommended JPA structure, governance model, participating entities, estimated startup and ongoing costs, funding sources, operational responsibilities, legal and administrative requirements, implementation timeline, and the expected financial, programmatic, and policy benefits of establishing a JPA with the Housing Authority and/or other relevant agencies.

3. Implement an Open Indenture

An open indenture (often called a “master indenture” or “master trust indenture (MTI)”) is a bond-financing structure that allows the City to issue multiple bonds over time under the same framework and act as a lender for affordable housing and cover related costs such as maintenance. Issuing bonds through open indentures would create a pathway for San Francisco to repeatedly issue bonds for affordable housing and end its reliance on uncertain one-time bond issuances only.¹²³ Bonds issued could be secured by existing resources or, even better, through pooled resources if MOHCD creates partnerships with other public agencies, such as the Housing Authority, and/or community lenders and private foundations, possibly through a joint powers agreement.

Under an open indenture structure, a public agency can raise money by selling bonds to institutional and individual investors through public bond sales on the municipal bond market. The agency can then use the bond proceeds to provide loans for multiple affordable housing projects over time. By contrast, in a “closed” indenture the bond will be used to finance one or a set of specific projects until the bond proceeds are expended. The agency must typically repay the bondholders at market-rate interest rates. In an open indenture, it will cover debt payments using the projects’ loan payments and is additionally secured by a pledged pool of income sources the agency/partnership already controls which can include a combination of loans, rental income, property taxes, or reserves.¹²⁴

The open indenture approach differs from traditional conduit bond issuances, the approach to affordable housing debt followed by the City at present. Conduit issuances are typically secured by the revenues of a single project being financed. An open indenture is also different from a revolving loan fund, because the loans are funded through bond issuance and pooled revenue/assets rather than through a standalone loan fund. Unlike a G.O. Bond, the bonds are not necessarily secured by the full faith and credit and general taxing power of the City (unless such arrangements are made), but by the project revenues and the issuing entity’s pooled revenues/assets. An open indenture is highly flexible and can support a range of debt financing options, particularly if the approach involves a partnership with other agencies with resources, so the scale of funding generated, level of affordability, and credit risk is highly dependent on implementation approach.

An open indenture offers several key benefits. One is that it can support additional bond issuances over time under the same legal framework, so the City would not need to create a new structure or go through extensive bond issuing processes for each issuance, though there are still significant ongoing transactional legal costs to provide updates before selling additional bonds into the market. As loans are repaid, the City can issue more bonds under the same financing structure and use the proceeds to make additional loans to affordable housing projects. This uniform

¹²³National Association of Bond Lawyers (NABL). “Master (Trust) Indenture.” Bond Basics.
<https://www.nabl.org/bond-basics/master-trust-indenture/>

¹²⁴ The 2025 *Models for Scaling LACAHS* (Los Angeles County Affordable Housing Solutions Agency) report from the Turner Center highlights that the issuing agency can also plan to issue additional debt beyond the projected project revenues by paying the difference on an ongoing basis through another revenue source (page 19).

borrowing framework entails consistent terms, covenants and security across debt issuances, and, depending on implementation, could lead to a lower cost of issuance over time.¹²⁵ Another benefit is that an open indenture could be structured to be self-sustaining and offers more flexibility in use of funds, with interest rate spreads from loan repayments from earlier loans recycled to help finance new housing projects or other related costs such as maintenance.¹²⁶ It can also offer better credit risk relative to individual projects, as pooled loans can diversify credit risk and may improve pricing for borrowers.¹²⁷ Implementing this approach would be a significant undertaking, but it offers the potential for an extensive increase in resources for affordable housing in San Francisco.

Examples and Scale of Impact

The New York City Housing Development Corporation's (NYCHDC) Multi-Family Housing Revenue Bond Resolution, known as the "Open Resolution," is one example of an open indenture.¹²⁸ Established in 1993, it serves as NYCHDC's main financing platform for issuing bonds and making loans for affordable housing developments. NYCHDC is rated AA+ by Standard & Poor's as well as Aa2 by Moody's, helping it borrow efficiently.¹²⁹ In Fiscal Year 2024-25, it financed 12,388 housing units (including 9,557 preservation units) across 22 projects. In the same year, it reported \$112.21 million in total operating revenue, \$32.7 billion in assets largely in the form of mortgages, and \$205.1 million in investment earnings according to its 2025 Performance Measurement Report and Annual Investment Reports.^{130 131}

Although Los Angeles County has not implemented an open indenture model to date, the 2025 *Models for Scaling LACAHS*A report by the Turner Center (commissioned by the Los Angeles Business Council Institute) estimates that roughly \$70 million in annual Los Angeles County Measure A funding could support about \$100 million to \$200 million in annual financing capacity under baseline and moderate leverage scenarios for the Los Angeles County Housing Solutions Agency (LACAHS), as shown in Exhibit 34 below.¹³² This implies approximately 1.4x to 2.9x leverage on annual local funding. The total housing production enabled by this model ultimately

¹²⁵ "MT WHY?: How a Master Trust Indenture Can Simplify Your Life," Hall Render, *Health Law News* (blog), January 11, 2019, <https://hallrender.com/2019/01/11/mt-why-how-a-master-trust-indenture-can-simplify-your-life/>

¹²⁶ San Francisco Mayor's Office of Housing and Community Development, San Francisco Planning Department, and Enterprise Community Partners, *Affordable Housing Funding and Financing Recommendations Report: Appendix* (San Francisco: San Francisco Planning Department, February 2024), <https://sfplanning.org/sites/default/files/documents/citywide/ahlc-ahff-report-appendix.pdf>

¹²⁷ "MT WHY?"

¹²⁸ San Francisco Mayor's Office of Housing and Community Development et al., *Affordable Housing Funding and Financing: Appendix*. <https://sfplanning.org/sites/default/files/documents/citywide/ahlc-ahff-report-appendix.pdf>

¹²⁹ Shumei Li, et al., *Models for Scaling LACAHS*A, Turner Center for Housing Innovation, August. 2025, <https://turnercenter.berkeley.edu/wp-content/uploads/2025/09/LABCI-Models-for-Scaling-LACAHS.pdf>

¹³⁰ New York City Housing Development Corporation, *New York City Housing Development Corporation FY 2025 Performance Measurements* (New York: New York City Housing Development Corporation, 2025), <https://www.nychdc.com/sites/default/files/2026-01/Performance%20Measurements%20FY%202025.pdf>

¹³¹ New York City Housing Development Corporation, *New York City Housing Development Corporation FY 2025 Annual Investment Report* (New York: New York City Housing Development Corporation, 2025), <https://www.nychdc.com/sites/default/files/2026-01/Annual%20Investment%20Report%202025.pdf>

¹³² *Models for Scaling LACAHS*A

depends on how LACAHSAs balance leverage, subsidy levels, and long-term financial sustainability. The Measure A funds put Los Angeles County at an advantage in entering the capital market but the model is still applicable without those tax revenues. Further, the City and County of San Francisco could provide initial capital to accelerate the impact of an open indenture for affordable housing.

Exhibit 34: LACAHSAs Leverage Scenarios for \$70 Million Annual Local Funding

	BASILINE	MODERATE	MAXIMUM
Revenues Borrowed Against:	Project Revenues	Project Revenues Some Measure A	Project Revenues Measure A Other Agency Revenues
LACAHSAs Financing Capacity:	\$100 million/year	\$200 million/year	\$2 billion, one-time

Source: Turner Center for Housing Innovation & Los Angeles Business Council Institute, *Models for Scaling LACAHSAs* (2025)

Tradeoff Considerations

While an open indenture can offer financing efficiencies, it comes with significant logistical, financial, and scalability considerations. Since open indenture financing is pooled across multiple projects and possibly partner agencies, the structuring of bonds is complex and requires significant City capacity in the form of administrative costs, legal costs, insurance costs, and increased risk posed to the issuer. It requires multiple loans with different terms and involves technical assessments to determine the credit rating across the entire open indenture as well as insurance costs.¹³³ An initial investment would be needed in administrative infrastructure before bonds are issued and revenue is flowing back to the issuing entity.

Currently, San Francisco affordable housing projects finalize their financing at various times throughout the year. According to MOHCD staff, under an open indenture model, the City would be required to synchronize all project closings once annually, which could create significant logistical bottlenecks for City staff and developers. Furthermore, it introduces timing issues that could negatively impact San Francisco's competitiveness for state resources, such as tax-exempt bond allocations from the California Debt Limit Allocation Committee (CDLAC). MOHCD has pointed out that it does not have sufficient staff at present to perform all of the tasks associated with an open indenture program.

For an open indenture to be effective and receive a strong credit rating, the fund must be backed by a highly stable, independent revenue stream. When New York launched its open indenture model in 1993, the city transferred \$318 million in bond proceeds from Battery Park City Authority to provide the necessary financing.¹³⁴ MOHCD staff also advise that the scalability of taking on an open indenture depends on having enough projects with permanent mortgages to support the

¹³³ San Francisco Mayor's Office of Housing and Community Development et al., *Affordable Housing Funding and Financing: Appendix*.

¹³⁴ New York City Independent Budget Office, *The City's Use of Battery Park City Authority Funds*, 18 May 2004, www.ibo.nyc.ny.us/iboreports/BPCAFunds.pdf.

ongoing revenue for the open indenture. In San Francisco, only projects with high resident AMIs and/or Section 8 subsidy could support this, as many of the City's projects offer deep affordability and therefore do not support permanent debt. An initial investment by the City could help support an open indenture.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors could request that City staff prepare a detailed proposal for Board consideration evaluating whether to establish an open indenture for affordable housing. The proposal should estimate administrative and start-up costs, financial risks to the City, and present multiple scenarios using different levels and sources of City seed funding, describe the proposed financing structure and underwriting assumptions, and project how much affordable housing could be supported under each scenario, including the expected tradeoffs between scale, leverage, and deeper affordability. This analysis should compare the outcomes of an open indenture, including start-up costs and implementation challenges, with existing affordable housing financing tools used in San Francisco.

4. Create a Municipal Bank

In 2019, California Governor Newsom signed AB 857, enabling local government agencies to charter public banks. Under this law, public banks must meet the same financial and regulatory standards as commercial banks.¹³⁵ Upon the passage of Board of Supervisors Resolution 152-17, San Francisco Treasurer José Cisneros convened the Municipal Bank Feasibility Task Force, which published its final report in March 2019.¹³⁶ The report details three models for developing a municipal bank, with different funding approaches and investment requirements.

In June 2021, the San Francisco Board of Supervisors passed ordinance 87-21 creating the San Francisco Reinvestment Working Group, which was tasked with creating a plan for establishing a public bank in San Francisco. The group engaged HR&A Advisors who prepared a *Business and Governance Plan and Viability Study*, published in May 2023, detailing the steps for the initial formation of a non-depository municipal finance corporation (MFC) and, eventually, a state-licensed public bank. According to the plan, the MFC entity would operate for three years to establish itself and make some successful initial loans before having the potential to transition into a full-service bank, pending regulatory approval.¹³⁷

The model proposed in the Viability Study has several benefits for affordable housing. First, it has the stated goal of focusing its lending activities on affordable rental housing development and homeownership, specifically production and preservation of affordable rental units. For this purpose, the study points out that a public bank can provide lower-interest loans and can focus on racial and geographic equity as a public entity without profit motive. Exhibit 43 below summarizes products proposed in the viability plan for a San Francisco public bank in support of affordable housing development.

The plan states that the MFC will need capital and funding to launch. Capital would be needed for pre-opening costs and initial loans and reserves; funding would be needed for additional loan activity. Funding typically takes the form of debt or debt instruments and would likely have interest costs attached whereas capital, assuming it's provided by the City, is assumed to be interest free.

HR&A assumed that the MFC would be capitalized with \$40 million from the City; \$20 million in year 1 and \$10 million each in years 2 and 3. An additional \$50 million in funding is assumed to be provided over the MFC's first three years in the form of donations and grants from foundations, contributions from banks to meet their Community Reinvestment Act obligations, and sale of notes to community financial institutions (CFIs) and community development financial institutions (CDFIs). With this level of funding the MFC would make approximately \$120 million in loans in its first three years, some of which would go to support affordable housing projects. Interest rates for

¹³⁵Public Banks, Cal. Assembly B. 857, Chapter 442 (2019-2020)

https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB857

¹³⁶San Francisco Office of the Treasurer & Tax Collector, "Municipal Banking Feasibility Task Force," City and County of San Francisco, <https://sftreasurer.org/banking-investments/municipal-banking-feasibility-task-force>

¹³⁷ HR&A Advisors, Inc., The Findley Companies, and Contigo Communications, *San Francisco Public Bank: Business and Governance Plan and Viability Study* (San Francisco: Reinvestment Working Group, May 10, 2023), https://www.sfgov.org/lafco/sites/default/files/rwg051823_PublicBankFinal.pdf

affordable housing loans are assumed to be 6.13 percent in the first years of the MFC's operations. Ideally, lower interest rates could be achieved to maximize affordable housing project feasibility.

Exhibit 43 below presents services that could be provided by a municipal bank once fully operational. An MFC's lending function may share some characteristics with a revolving loan fund, but a public bank would serve broader purposes and serve needs beyond affordable housing. For purposes of this report, we are focusing only on the benefits to affordable housing projected for a public bank established by the City. Many of the functions listed in Exhibit 43 are already provided by MOHCD at a 0 to 3 percent interest rate. Moving to a 6.13 percent interest would render many projects infeasible or increase the amount of funding needed.

Exhibit 43: Proposed Municipal Bank Affordable Housing and Homeownership Products and Services

Product	Solution
Patient and equity-like capital, including for land and building acquisition	Provide longer-term (10+ years) low-interest loans—potentially structured as equity equivalent products—to CDFIs to finance long-term affordable housing projects including, but not limited to, preservation and building and land acquisition. Patient capital can provide CDFIs greater long-term certainty in funding availability that enables them to support larger projects over more time with greater flexibility.
Short-term financing	Provide pre-development loans to developers to cover a wide variety of expenses such as architectural and engineering fees and acquisition costs, among others.
Gap financing	Help developers address mismatches between costs and revenue and cover unexpected increases in labor and material costs through gap financing.
Credit enhancement to serve customers perceived as riskier*	Establish credit enhancement products to facilitate home loans to nontraditional borrowers who may lack standard credit indicators. Note that credit enhancements may be operationally complex.
Guarantees*	Set up guarantees—construction loan, completion, operating deficit, and tax credit—for affordable housing developers.
Alternative products	Support the creation of alternative products and markets for less-common structures like community land trusts, mutual housing associations, and limited equity housing cooperatives.
Pooled operating subsidy and capitalized replacement reserves*	Set up pooled reserves so that projects are not required to capitalize their own separate reserves that can be drawn on as well as contributed into. These loans should be for projects generating enough cash flow to cover debt service for these products. Note: the Bank could provide loans to affordable housing developers that cover these contingencies as part of upfront project costs and capitalization as opposed to separate operating subsidy or reserves.
Down Payment Assistance*	Provide long-term, low-interest loans as down payment assistance for first-time homeowners.
Existing Homeowner Assistance*	Provide loans to low- and moderate-income homeowners to perform a variety of home improvements, including energy efficiency upgrades, building upgrades and the development of accessory dwelling units (“ADU”).

Source: San Francisco Public Bank Business and Governance Plan and Viability Study, 2023

* The proposal notes that the bank’s management will evaluate whether participation is feasible.

Tradeoff Considerations

The MFC would play a valuable role in supporting affordable housing development by providing favorable financing terms for projects. However, similar to other financing mechanisms discussed above, establishing an MFC would be a substantial legal, administrative, and financial undertaking. Implementation would occur over a multi-year timeline and involve significant upfront costs, including operational startup expenses, capitalization for initial lending activities, reserve requirements, and ongoing funding to support additional loans. Although the MFC would ultimately be intended to operate on a self-sustaining basis, it would require substantial initial City investment, likely funded through resources that would otherwise be available for General Fund purposes. Additional financial support may also be necessary in the early years of operation before the MFC reaches its break-even point. Finally, transitioning to a full-service bank would require regulatory approval. Besides providing a funding source for affordable housing, a public bank would provide financial resources for other purposes and the unmet needs of other groups not well served by mainstream financial institutions.

Summary and Possible Actions for the Board of Supervisors

A public bank has been under consideration by the City for a number of years, with the most recent milestone activity being the creation of a business and governance plan and viability study completed in 2023. Establishment of a public bank would provide an ongoing source of funding for affordable housing after an initial investment by the City. The plan's model assumes that the City's initial level of start-up funding would result in \$120 million in loans during its first three years, a portion of which would be for affordable housing projects. For next steps to pursue this initiative, the Board of Supervisors could work with City staff on the preliminary needed actions to create a public bank such as establishing a separate legal municipal financial corporation entity and obtaining agreement from City stakeholders on the level of start-up investment.

5. Create Additional Enhanced Infrastructure Financing Districts (EIFDs)

Established in California state law¹³⁸, an EIFD is a tax increment financing mechanism that enables a municipality to set aside revenue from future growth in property taxes and dedicate the funds to specific infrastructure and community development uses in a geographic area. Under an EIFD, a municipality typically designates a specific geographic boundary (the “District”) and establishes a base year for property tax assessments. As property values within that district rise due to new development and/or market appreciation, a portion of the resulting increase in tax revenue that would have otherwise been due to the City, known as the tax increment, is captured and diverted toward specific goals that can include the production of affordable housing. Unlike Tax Increment Financing under the State’s previous redevelopment system, only the City’s portion of tax revenue is included in this funding mechanism, but not other taxing entities like the City’s school or community college district. The incremental revenue can be used to pay off bonds, issued by the City’s public financing authority, or to cover project costs directly. The EIFD process does not result in an increase in the tax rate for property owners; instead, it reallocates the increase in tax revenue that would have otherwise flowed to the General Fund.

City policies limit the magnitude and duration of EIFDs. Under San Francisco’s Fiscal Years 2026-2035 Capital Plan, the City may allocate no more than 50 percent of the incremental property tax revenue generated within a designated area to an infrastructure financing district. In addition, the total annual debt payment across all City EIFDs cannot exceed five percent of the City’s total annual property tax revenue.¹³⁹ City policies also limit the use of infrastructure financing districts to areas that are being rezoned and that need significant new infrastructure, including affordable housing. Further, State law limits the duration of these districts to 45 years, beginning from the date the district first receives \$100,000 in tax increment revenue.¹⁴⁰

San Francisco has already established a number of EIFDs and counterpart tax increment financing entities (community facilities districts, infrastructure and revitalization financing districts), including on Treasure Island, on Port property (Pier 70, Mission Rock), for three large development projects (Power Station, Stonestown, and 3333/3700 California Street), for downtown San Francisco (approved in February 2026), and for other locations. Large sites for redevelopment owned by a single entity are best suited for use with EIFDs since they have significant infrastructure needs that can be directed by a single project team.

In FY 2025-26, total Citywide property tax revenues are projected by the City Controller to be \$2.437 billion, so five percent of property tax revenues is approximately \$121.9 million.¹⁴¹ According to the Office of Public Finance, the approved infrastructure financing districts are

¹³⁸ California Government Code Sect. 53398.75

¹³⁹ San Francisco Office of Resilience and Capital Planning, *City and County of San Francisco Ten-Year Capital Plan: Fiscal Years 2026-2035* (San Francisco: City and County of San Francisco, 2025), <https://onesanfrancisco.org/cap-plan-2026/capital-sources-special-finance-districts>.

¹⁴⁰ California Academy for Economic Development, *Tax Increment Financing (TIF) Primer*, rev. ed. (Sacramento: California Association for Local Economic Development, January 2025), <https://caled.org/wp-content/uploads/2025/01/TIF-Primer-Revised-web.pdf>

¹⁴¹ Office of the Controller, *Six-Month Budget Status Report, FY 2025-26* (San Francisco: City and County of San Francisco, February 12, 2026), https://media.api.sf.gov/documents/Six-Month_Report_FY25-26_FINAL.pdf

expected to account for 4.1 percent of Citywide property tax revenues once all projects are fully developed and the districts have issued bonds to repay eligible project costs incurred by the developers. This would mean that roughly 82 percent of the City's EIFD debt capacity is already accounted for by the time all projects are developed, leaving only 18 percent (or about \$22 million per year at the current revenue level) available to establish additional EIFDs. The \$22 million in annual revenue could support a bond sale of approximately \$250 million for one-time infrastructure costs including affordable housing.¹⁴²

EIFD revenues are neither fixed nor guaranteed as they depend on development activity and on actual incremental property tax growth and are subject to real estate market volatility. Their feasibility is structurally tied to property tax increases, which are constrained by Proposition 13, and are not expected to rise dramatically in San Francisco soon. According to the City's Five-Year Financial Plan Update, property taxes are projected to grow only 1.0 percent, from \$2,485.1 million in FY 2024–25 to \$2,589.1 million in FY 2029–30. Under the five percent cap on EIFD-related debt service, the limit would increase from \$121.9 million to \$126.7 million over that period, allowing only a relatively small increase in additional EIFD debt capacity (about \$4.8 million more in FY 2029–30, allowing for another bond sale of approximately \$55 million, using the same assumptions as above).

A Citywide EIFD appears unlikely to generate significantly more resources for affordable housing or other purposes under current City policies and would be complex to administer. Because tax increment financing districts cannot overlap, a district would have to exclude areas already covered by other infrastructure financing districts, including much of downtown, which is encompassed by the recently approved Downtown Revitalization District. Further, the intent of state law is to address infrastructure needs in a certain area. Making that argument for the entire City would be more difficult to prove.

As another option, in addition to taking advantage of the available capacity that would support a \$250 million bond issue for a new EIFD, the City could consider raising the five percent limit on EIFD-related debt payments to allow for additional borrowing capacity. Exhibit 35 illustrates the maximum EIFD debt capacity at the current property tax revenue level (\$2.37 billion) under the existing policy limit of five percent of annual property tax revenue, along with scenarios that increase the debt limit in 0.25 percent increments. The total additional debt capacity reflects the remaining annual capacity available after accounting for the existing EIFDs, while the additional principal enabled represents the amount of capital that could be generated through a 20-year bond at a six percent interest rate. Exhibit 35 shows that increasing the debt limit by one percentage point from five to six percent of Citywide annual property tax revenue could enable more than twice as much capital, or approximately \$279.5 million, for affordable housing and other purposes over 20 years.

¹⁴² Calculated as a 20-year bond with a 6.0 percent interest rate.

Exhibit 35: Estimated EIFD Debt Capacity and Additional Principal Enabled

Debt Limit	Maximum EIFD Debt Capacity	Total Additional Annual Debt Service Payment Capacity*	One-Time Bond Principal Enabled Over 20 Years
5.00%	\$121,850,000	\$21,933,000	\$251,569,782
5.25%	\$127,942,500	\$28,025,500	\$321,450,277
5.50%	\$134,035,000	\$34,118,000	\$391,330,772
5.75%	\$140,127,500	\$40,210,500	\$461,211,267
6.00%	\$146,220,000	\$46,303,000	\$531,091,762

*Total additional EIFD debt capacity after the amount that would already be compromised by the time all projects are developed

Source: BLA estimates. Assumes current level of property tax revenues and a 6.0 percent interest rate on 20-year bonds.

Tradeoff Considerations

EIFDs benefit from strong local control and high implementation feasibility. With the passage of Assembly Bill 116 (2019), EIFDs may issue bonds without public vote if transparency requirements are met and three public meetings are held.¹⁴³ Moreover, local policies can be adjusted to allow a higher percentage of debt issuance relative to annual property tax revenues that could unlock significant additional resources. However, there are also limitations and trade-offs in establishing additional EIFDs.

EIFDs do not create new tax revenue; instead, they redirect future growth of an existing revenue stream. These funds represent financial resources that would otherwise flow into the General Fund. While using an EIFD is an effective way to dedicate money for affordable housing and other improvements in certain cases, it would reduce the growth of the General Fund, leaving less revenue available for other municipal purposes. The revenue generated is dependent on vagaries of the real estate market and to the extent property values decrease after creation of an EIFD, new revenue could be less than expected or needed. However, the Controller's five-year revenue forecast for FY 2026-27 through FY 2029-30 projects a dip in property tax revenues in FY 2026-27, then an upward trend through FY 2029-30.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors could advocate for creation of one or more additional EIFDs in conjunction with development projects in areas where affordable housing and other improvements are needed. To further expand the property tax increment funding being allocated to affordable housing, the Board of Supervisors could amend current policy that limits Citywide EIFD debt to five percent of annual property tax revenue. Increasing it to six percent could provide an estimated \$279 million in bond principal that could be allocated to infrastructure enhancements, including affordable housing, in needed areas. Modification of current policy would result in incremental property tax being allocated to specific purposes and areas instead of being added to the City's General Fund.

¹⁴³ California State Assembly, "AB-116 Local Government," Chapter 656, Statutes of 2019 (October 9, 2019) https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB116

6. Leverage SB 593 Bonding Authority

Senate Bill 593 (SB 593), signed in 2023, authorizes San Francisco's Office of Community Investment and Infrastructure (OCII) to fulfill a historic 'Replacement Housing Obligation' of 5,842 affordable housing units. The legislation enables the City to leverage Tax Increment Financing (TIF) by capturing the growth in property tax revenue from former redevelopment project areas. Unlike forming a new Enhanced Infrastructure Financing District (EIFD), discussed above, which requires multi-agency coordination and a new administrative framework, SB 593 utilizes the existing Redevelopment Property Tax Trust Fund (RPTTF) structure.¹⁴⁴ With the authority in place and plans to use the funds underway, the City has the opportunity to ensure these funds are used to finance affordable housing for the City's extremely low income populations.

Background

From the 1950s to the 1970s, thousands of low-income housing units in San Francisco were demolished and communities displaced, among them Black, Japanese, and Filipino residents.¹⁴⁵ ¹⁴⁶ To address this loss, the successor to the San Francisco Redevelopment Agency (SFRA) was assigned "enforceable obligations," legal commitments requiring replacement of the destroyed units. When the California Legislature dissolved redevelopment agencies in 2012, the San Francisco Office of Community Investments and Infrastructure (OCII) assumed any "enforceable obligations" as SFRA's designated successor. The California Department of Finance did not initially approve the replacement housing obligation, even as 5,842 affordable units still required replacement. However, OCII's use of tax increment financing was limited to specific, pre-approved development agreements, and it lacked authority to use RPTTF revenues to finance the replacement housing obligation. This changed in 2023 when SB 593 explicitly authorized the use of RPTTF funds to fulfill the replacement housing obligation. As a result, OCII can issue new debt secured by future tax increment from former and current redevelopment project areas, to the extent the tax increment revenues represent revenues that otherwise would have been distributed to the City and County of San Francisco, to finance these 5,842 units.

Specifically, funds can be used for new development, new construction, and repair of existing units, requiring them to remain affordable for 55 years for rentals or 45 years for owner-occupied units.

Implementation

OCII has begun leveraging its SB 593 authority and has plans for a bond issuance in FY 2026-27 of a not-to-exceed amount of \$180 million for replacement affordable housing in Mission Bay South

¹⁴⁴ California State Senate, "SB 593: Redevelopment: successor agency debt: City and County of San Francisco," Chapter 782, Statutes of 2023 (October 11, 2023), https://calmatters.digitaldemocracy.org/bills/ca_202320240sb593

¹⁴⁵ Marcia Rosen and Wendy Sullivan, "From Urban Renewal and Displacement to Economic Inclusion: San Francisco Affordable Housing Policy 1978–2014," *Stanford Law & Policy Review* 25, no. 1 (2014) <https://law.stanford.edu/wp-content/uploads/2018/03/rosen.pdf>

¹⁴⁶ SOMA Pilipinas Filipino Cultural Heritage District, "SOMA Pilipinas" https://www.sf.gov/sites/default/files/2023-04/SOMA%20Pilipinas%202023%20CHHESS%20Final%20Report_0.pdf

and the Western Addition, pending approval.¹⁴⁷ OCII's projected available funding for affordable housing development as a result of SB 593 is shown in the fourth column of Exhibit 36 below. The total projected residual tax increment for FY 2026-27 through FY 2036-37 totals \$1.4 billion. The City is projected to receive approximately 64.6 percent of that residual amount if it is not used by OCII. After OCII's planned SB 593 bond issuances as of April 2026 are deducted, the remaining funds available for housing development total \$76.6 million in FY 2026-27 and more than \$500 million over the next 11 years.

Exhibit 36: Projected Share of Residual Tax Increment Available for Affordable Housing Development (\$ Millions)

Fiscal Year	Projected Residual Tax Increment*	Projected City Share	Projected Planned SB 593 Debt Service	Projected Net City Share After Planned SB 593 Debt Service
2026-27	\$140.3	\$90.6	\$14.0	\$76.6
2027-28	117.6	75.9	24.4	51.6
2028-29	118.6	76.6	40.1	36.5
2029-30	124.8	80.6	40.1	40.5
2030-31	110.4	71.3	40.1	31.2
2031-32	110.2	71.2	40.1	31.1
2032-33	124.9	80.7	40.1	40.5
2033-34	128.5	83.0	40.1	42.9
2034-35	132.0	85.3	40.1	45.2
2035-36	135.8	87.7	40.1	47.6
2036-37	168.8	109.0	48.5	60.5
Total	\$1,411.9	\$911.9	\$407.7	\$504.2

Source: OCII's Projections

*Projected Residual Tax Increment is net of all existing and planned OCII non-SB 593 obligations as of April 2026. 2% annual Assessed Value growth is assumed.

Tradeoff Considerations

As explained above, SB 593 leverages the existing RPTTF and does not require the formation of a new EIFD, thereby reducing additional administrative burden and costs. However, SB 593 authorizes debt financing secured by redevelopment property tax increment revenues that would otherwise be allocated to the City after OCII's existing obligations are paid, thereby redirecting a portion of future City revenues toward fulfilling the Replacement Housing Obligation. Approving this plan will mean diverting funds that would have otherwise been received by the City for any purpose.

¹⁴⁷ Thor Kaslofsky, "Authorizing the Successor Agency to the Redevelopment Agency of the City and County of San Francisco to Issue New Money Tax Allocation Bonds... to Finance Replacement Affordable Housing," Memorandum to Community Investment and Infrastructure Commissioners, 21 Apr. 2026, https://sfocii.org/files/inline-files/MEMO_Replacement%20Housing%20Bonds_0.pdf

Summary and Possible Actions for the Board of Supervisors

With these funds now available, the Board has an opportunity to direct their use toward the deepest levels of affordability for vulnerable households. The City could prioritize SB 593 funds for units affordable to extremely low-income households, given that this group remains underserved under current City production trends.

To encourage expeditious and complete implementation of SB 593, the Board of Supervisors should request that the Office of Community Investment and Infrastructure report back with a financing and development plan for up to 5,842 eligible affordable housing units to replace those lost through redevelopment-related displacement in previous decades. The report should detail the impact on City revenues from the reallocation of incremental property tax revenue to these housing projects and explain how the funds will be used to achieve deep levels of affordability, especially for extremely low-income households.

7. Direct Proposition I-Generated Revenue to Ongoing Social Housing Funding

In November 2020, San Francisco voters approved Proposition I, an ordinance to increase the transfer tax on real estate transactions valued at over \$10 million and on leases of 35 or more years. The Controller’s Statement on Proposition I in the November 2020 ballot estimated that the tax could generate between \$13 million and \$346 million annually. The revenue was designated as a General Tax which satisfied the simple majority threshold for passage and, as a result, proceeds are not earmarked for affordable housing; they are deposited into the General Fund and are subject to the City’s discretionary budgetary allocation.

Proposition I did not specify that any of the new funds generated were to be used for affordable housing. However, in the same November 2020 election, voters approved Proposition K, a separate measure that authorized the City to own, develop, construct, acquire or rehabilitate up to 10,000 units of low-income rental housing. This measure allowed the City to take these actions on its own, without the involvement of nonprofit or for-profit sponsors and property managers.

Prior to the election, on November 3, 2020, the San Francisco Board of Supervisors passed Ordinance 233-20 (File No. 201183), establishing the Housing Stability Fund and the Housing Stability Fund Oversight Board to advise the Board of Supervisors on the use of the Fund. The stated purpose of the fund is “the acquisition, creation, and operation of affordable Social Housing Developments”. Additionally, the Mayor’s Office of Housing and Community Development (MOHCD) was given the authority to create rules and regulations regarding the use of these funds.¹⁴⁸ The ordinance did not specify a source of funding for Social Housing Developments, such as the Proposition I-generated revenue though that could be one source subject to the Board of Supervisors approving such an appropriation.

From January 1, 2021, to March 31, 2024, Proposition I generated \$324 million in revenue and the City used \$203.8 million for affordable housing initiatives and rent relief, according to the Housing Stability Oversight Board.¹⁴⁹ Most of these expenditures were General Fund allocations and were not channeled through the Housing Stability Fund, which was earmarked for Social Housing Developments. The Housing Stability Oversight Board detailed in its Annual Program Implementation Report the Fund’s disbursement of \$11.4 million in FY 2023-24 and \$24.2 million in FY 2024-25 for acquisition and rehabilitation of sites for affordable housing and ADU construction.

¹⁴⁸ San Francisco Board of Supervisors, Budget and Legislative Analyst’s Office, *Budget and Legislative Analyst Report: March 17, 2021 Budget and Appropriations Committee Meeting* (San Francisco: City and County of San Francisco, March 12, 2021).
<https://sfgov.legistar.com/View.ashx?M=F&ID=9244122&GUID=B484A045-29BB-4604-8670-1D4C3AD13476>

¹⁴⁹ Housing Stability Fund Oversight Board. *Assessing the Impact of the 2020 Proposition I: Four Years of New Revenue and Affordable Housing Initiatives*. San Francisco, CA, June 12, 2024.
https://media.api.sf.gov/documents/2024-06-12_HSFOB_Report_-_Final.pdf

A 2024 Oversight Board report summarized City investment that aligned with Proposition I-approved funding uses, shown in Exhibit 37 below.¹⁵⁰ The only allocation that was specifically oriented to social housing was \$300,000 for a municipal housing feasibility study, embedded in the \$1.7 million budget add-back amount shown below.

Exhibit 37: Funding that aligned with Proposition I Goals, FY 2020-21 - 2023-24

Legislation	Description	Amount
BOS Budget Supplemental FY 2020-21	Initial funding for emergency rent relief and social housing	\$20,100,000
BOS FY2021-22 Budget Add-Back	Establishment of local COVID rent relief program for tenants at risk of displacement	\$32,000,000
BOS Budget Supplemental FY 2021-22	Funding for acquisition and rehab of at-risk rent controlled housing through the Housing Preservation Program	\$64,000,000
2022 Mayor's Budget	Expanding housing opportunities for extremely low-income seniors	\$4,000,000
2022 Certificate of Participation Ordinance	Funding for land acquisition for new affordable housing development, Public housing and co-op upgrades and repairs; construction of affordable housing for educators; Elevator upgrades in Affordable Residential Hotels	\$82,000,000
2022 BOS Budget Add-Back	Municipal Housing Feasibility Study; Outreach, technical support, capacity building for limited- equity and HUD subsidized co- op boards and residents; Public housing outreach, resident council capacity building, Increase COPA capacity and to scale the land trust and co-op model in SF	\$1,700,000
Total		\$203,800,000

Source: Housing Stability Fund Oversight Board, *Assessing the Impact of Proposition I*, June 2024

While the allocations shown above were all directed at creating or maintaining affordable housing in various ways, only a small amount was allocated to social housing development though the Housing Stability Fund Oversight Board recommended in 2023 that \$60 million out of the \$85 million expected in FY 2023-24 be allocated to social housing: \$30 million for site acquisitions for social housing and another \$30 million for capital funding for social housing developments.

The last Housing Stability Fund Oversight Board recommendations were published in 2023, and the Board's last meeting was in April 2024. The February 2026 Annual Program Implementation Report states all Housing Stability Fund funds had been spent down as of February 2026.¹⁵¹

¹⁵⁰ Mayor's Office of Housing and Community Development, *Housing Stabilization Fund: Program Implementation Report*, by Kyra Geithman, San Francisco, CA, January 25, 2023.

https://media.api.sf.gov/documents/HSFOB_2023_implementation_report.pdf

https://media.api.sf.gov/documents/HSFOB_2026_Implementation_Report.pdf

City Controller projections of City transfer tax revenue including the increment due to Proposition I is shown in Exhibit 38 for Fiscal Years 2026-27 through 2029-30. As can be seen, the average projected revenue due to Proposition I is \$97.55 million per year out of a total transfer tax revenue average of \$369.7 million. Depending on how it is used and what other sources it is coupled with, directing all or a substantial portion of the Proposition I based transfer tax increment each year to affordable housing would be sufficient for subsidizing over 200 mixed-income housing units per year at an average subsidy of \$450,000. Since Prop I is structured to flow into the General Fund, allocating these funds to affordable housing would have commensurate impacts on the General Fund.

Exhibit 38: Projected Transfer Tax Revenue and Proposition I-based Increment (millions)

Year	Total Transfer Tax Revenue	Transfer Tax Revenue due to Proposition I
FY 2026-27	\$358.8	\$93.8
FY 2027-28	\$370.4	\$96.4
FY 2028-29	\$381.5	\$98.8
FY 2029-30	\$392.5	\$101.2
Average	\$369.7	\$97.55

Source: Controller, Mayor's Office, and Budget and Legislative Analyst, *Budget Outlook Update*, March 31, 2026

Though neither Proposition I nor the Housing Stability Fund ordinance specified a level of funding for social housing developments, the City has not implemented the Housing Stability Fund Oversight Board recommended allocations from 2023.

Currently, two initiatives could affect Proposition I. An ordinance introduced in February 2026 would partially reverse Proposition I by reducing transfer tax rates, thereby decreasing the City's transfer tax revenue.^{152,153} On the other hand, a voter initiative is currently gathering signatures for the Affordable Housing Guarantee Act, which would require that revenue generated from the transfer tax on properties valued above \$10 million be dedicated exclusively to the protection, preservation, and production of affordable housing, and prohibit those funds from being diverted to the General Fund.¹⁵⁴

Benefits and Challenges of Social Housing

Social housing is a broad term defined differently by various housing stakeholders. Common themes however are that the housing is developed, owned and/or operated by a government jurisdiction for the purposes of affordability, but includes households with a wide range of income levels. Common in a number of cities outside the U.S. including Singapore and Vienna, there are fewer examples in the U.S. though Montgomery County, Maryland, has operated a social housing program for a number of years and is described above in the section about revolving loan funds. Seattle established a funding source for social housing in 2025, Proposition 1A, that imposes a tax

¹⁵² City and County of San Francisco. Budget Outlook Update (March Five-Year Update)

https://media.api.sf.gov/documents/March_Update_FY_26-27_through_FY_29-30_FINAL.pdf

¹⁵³ SF Chronicle. Exclusive: Why the slowdown in S.F. housing construction is leading to a new tax battle

<https://www.sfchronicle.com/sf/article/affordable-housing-taxes-prop-i-22196425.php>

¹⁵⁴ Affordable Housing Act, Filed May 2026:

https://media.api.sf.gov/documents/05042026_LT_AfordableHousing.pdf

on employers paying over \$1 million in compensation for any employees. That city is expected to launch its first mixed income housing development in 2026. Supporters estimated Proposition 1A would bring in \$50 million annually, but 2026 estimate from the Mayor's Office is \$115 million, according to the Seattle Times.¹⁵⁵

Through the passage of Proposition I in 2020, a definition of social housing developments was added to the City and County of San Francisco's Administrative Code¹⁵⁶ as housing with an ownership interest or permanent loan and regulatory agreements by the City, a nonprofit organization, residents, or a resident association to ensure their permanent affordability. This Code section, which also established the Housing Stability Fund, mandates that the average income of San Francisco social housing tenants must not exceed 80 percent of Area Median Income, or the upper end of the low income bracket) for their zip code area. The affordability requirements are to be in place for no less than 99 years, pursuant to regulatory requirements established by MOHCD.

Under the social housing model, housing developments would not be dependent on limited funding and federal and state tax credits as is the case for 100 percent affordable projects and instead would be entirely dependent on local funding. The mixed income provision in the City's Administrative Code would help make projects financially feasible as higher income tenants subsidize lower income tenants. However, when market-rate rents hover around middle-income AMIs, as they have done in San Francisco since the pandemic, there may not be enough profit to cross-subsidize below market-rate rents (as described in detail in the Inclusionary Housing section). Though social housing developments would require initial public funding, they could eventually become self-sustaining with tenant income averaging 80 percent of Area Median Income.

The passage of Propositions I and K and the establishment by ordinance of the Housing Stability Fund provides San Francisco with ongoing funding, a statement of City intent, and a mechanism for investments in social housing projects. If the revolving loan fund model discussed above is used, multiple projects could be funded over time as initial loan money is paid back. What has been missing to implement social housing in San Francisco is appropriation of funds to the Housing Stability Fund to implement the Housing Stability Fund Oversight Board's recommendations.

Disadvantages and challenges of social housing could include the difficulty of renting out higher AMI units due to difficulty projects have reported faced in recent years renting out affordable units when rent comes near that charged for market rate units, the additional cost of City-led development and management, and the loss of access to certain funding streams relative to other affordable housing projects. In addition, the City does not have the systems and structures in place for the City to directly develop, own, and/or operate affordable or mixed-income buildings. Building this capacity would require new City staff to oversee development and operate and manage properties.

¹⁵⁵ David Kroman, "Seattle Social Housing Developer's First Tax Haul Over Double Estimate," *Seattle Times*, March 25, 2026, <https://www.seattletimes.com/seattle-news/homeless/seattle-social-housing-developers-first-tax-haul-over-double-estimate/>

¹⁵⁶ San Francisco Administrative Code 10.100-78.

Tradeoff Considerations

Proposition I was passed by voters as a General Tax, which satisfied the simple majority threshold for passage, and as a result, proceeds are deposited into the General Fund and are subject to the City's discretionary budgetary allocation. If the City allocated all or most Proposition I-generated revenue to the Housing Stability Fund, it would decrease the General Fund by that amount. However, allocating funds to a social housing model could be intended to be of a limited duration as the social housing projects become financially self-sustaining over time.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors could advocate for the City to appropriate all or most Proposition I-generated revenue to the Housing Stability Fund to be used for social housing developments or other affordable housing purposes. If the Board of Supervisors does not want to pursue social housing, there are other avenues for these funds to support affordable housing.

8. Raise City Debt Ceilings

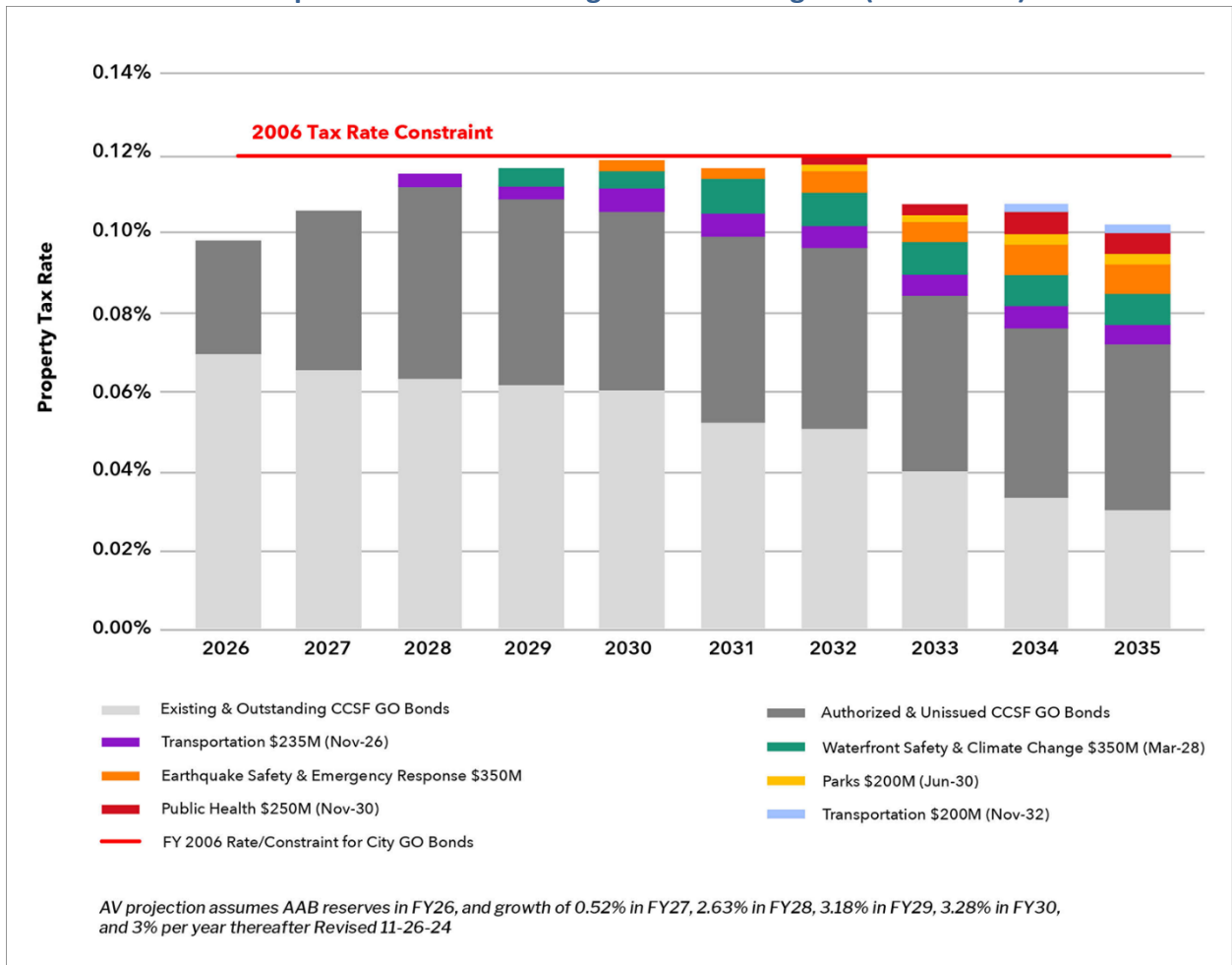
Two of San Francisco's sources for affordable housing development are General Obligation bonds (G.O. bonds) and Certificates of Participation.

General Obligation Bonds

G.O. bonds, approved by the voters, are repaid using property tax funding usually over a 20-to-30-year period. The amount raised through G.O. bond financing is limited: it is City policy to keep property taxes at or below their 2006 level. This amounts to 0.1201 percent of assessed value, or \$120.10 per \$100,000 of assessed value. The FY 2025-26 property tax rate to repay G.O. bonds is 0.1105 percent of assessed value, or approximately .01 percent below the 2006 rate. With anticipated future bond issuances, the City's Capital Planning Committee estimates that the City will approach the 2006 property tax rate in approximately FY 2031-32. Raising this limit would allow the City to take out more debt, some or all of which could be dedicated to affordable housing production.

The City Charter limits the total Citywide bond debt to three percent of the City's net assessed value. With total assessed value of approximately \$353.6 billion, the bond debt limit is approximately \$10.6 billion in FY 2025-26. As of December 2025, the total outstanding G.O. bond indebtedness (including anticipated issuances) was approximately \$2.67 billion, or approximately \$8.07 billion below the \$10.6 billion Charter limit.

Exhibit 39. Capital Plan General Obligation Debt Program (FY 2026-35)



Source: San Francisco Office of Resilience and Capital Planning, 2026 Capital Plan, General Obligation Bonds

Certificates of Participation

While G.O. bonds require voter approval and are backed by the full faith and credit of all City resources, Certificates of Participation (COPs) are secured by specific assets or revenues, generally do not require voter approval, and typically carry higher interest rates than G.O bonds. The use of both types of debt is regulated by City financial policies, which limit the amount of debt that can be issued. Both G.O. bonds and COPs are projected to reach their debt capacity constraints in or near FY 2031–32 and FY 2028–29, respectively.

Increasing the City's debt limits on G.O bonds and Certificates of Participation could increase funding for capital projects, including affordable housing, though doing so would involve tradeoffs in that it would reduce General Fund monies available for other purposes and could result in a reduction in the City's credit rating. These potential impacts must be considered relative to providing substantial additional funding for affordable housing. It should be noted that some previously authorized G.O. bonds and COPs for various purposes, including affordable housing,

have not yet been fully issued. The information below was also presented in a separate report issued by our office in May 2026.¹⁵⁷

If the City were to amend current policy and lift the cap of the property tax rate to above the 2006 level to be used exclusively for affordable housing, the City could expand its G.O. bond program to fund more affordable housing projects.

Our office developed a model to estimate the additional debt capacity possible if the City were to raise the maximum property tax rate in 0.01 percent increments, up to a maximum increase of 0.06 percentage points over the current limit of 0.1201 percent of assessed value. Assuming G.O. bonds are issued at a 6.0 percent interest rate for a 20-year term, the City would be able to increase G.O. bond debt principal capacity by approximately \$410 million for each 0.01 percent added to the property tax rate. Our estimates are shown in Exhibit 40 below.

Exhibit 40: Estimated G.O. Bond Debt Capacity Additional Principal with Increase to 2006 Limit

Additional Property Tax Rate	Additional Annual Debt Service	Total Additional Debt Service	Total Additional Debt Principal
0.01%	\$35,784,254	\$715,685,078	\$410,442,573
0.02%	\$71,568,508	\$1,413,370,157	\$820,885,147
0.03%	\$107,352,762	\$2,147,055,235	\$1,231,327,720
0.04%	\$143,137,016	\$2,862,740,314	\$1,641,770,293
0.05%	\$178,921,270	\$3,578,425,392	\$2,052,212,867
0.06%	\$214,705,524	\$4,294,110,470	\$2,462,655,440

Source: BLA estimates. Assumes 6.0 percent interest rate on 20-year bonds.

According to the Office of Public Finance (OPF), G.O. bonds with a taxable use (such as housing) would have a higher interest rate. For taxable use, OPF estimates that increasing the property tax rate by 0.01 percent above the 2006 rate would result in approximately \$375 million of additional debt principal, rather than \$410 million.

Impacts of Raising G.O. Bond Debt Limit

Relaxing the G.O. bond debt policies involve several considerations. First, increasing the debt limit for general obligation bonds would require changes to the City's debt policies, which in turn require Board of Supervisors approval and the cooperation of the City administration.

Second, such an increase would raise property taxes. According to our estimates, for every 0.01% increase above the 2006 limit, homeowners would pay approximately \$75.49 per year in additional property taxes for a median valued single-family home. The Controller's Office estimates that the total property tax bill for a median valued single-family home in FY 2025-26 is \$8,927.72, so an increase of \$75.49 would result in total property taxes of \$9,003.61, or an increase of approximately 0.85 percent to the median tax bill. According to the State Board of Equalization, San Francisco's property tax rate was the eighth highest average property tax rate in

¹⁵⁷ San Francisco Budget and Legislative Analyst's Office, *Citywide Debt Capacity*, May 2026, https://media.api.sf.gov/documents/Policy_Analysis-Debt_Capacity.pdf

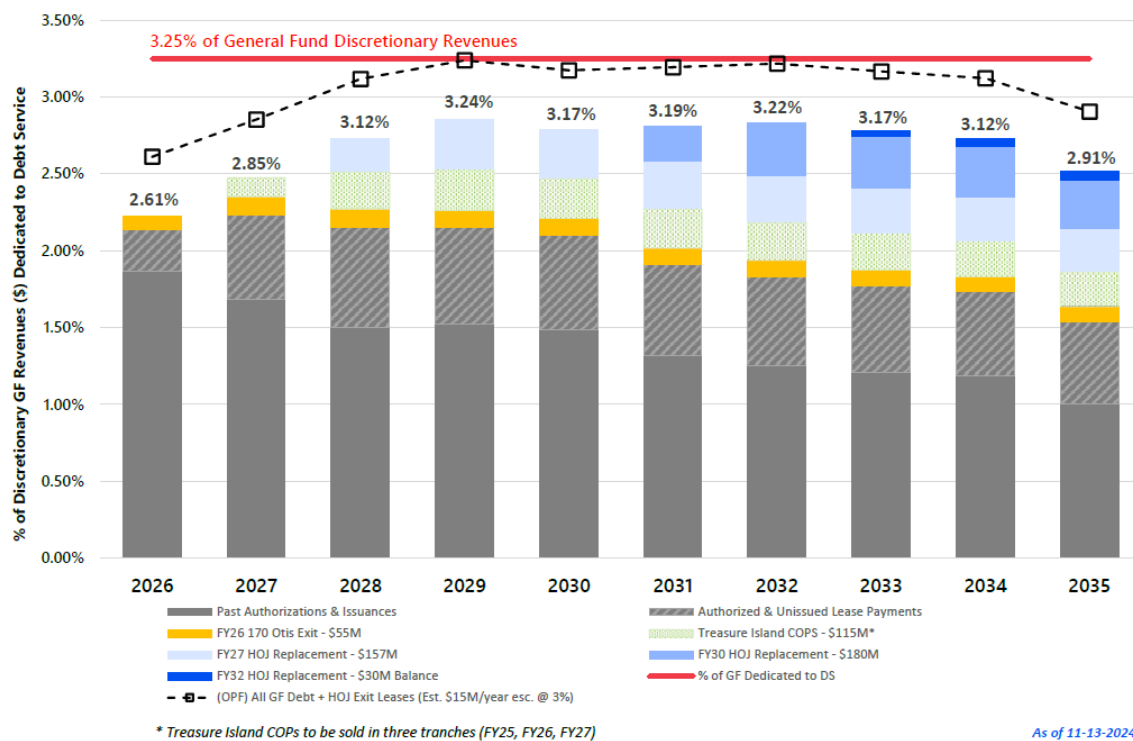
assessment year 2024-2025 statewide out of 58 counties.¹⁵⁸ If San Francisco increases its property tax rate by 0.01, it would have had the sixth highest average property tax rate.

Moreover, if the City were to raise its debt capacity, it could contribute to a downgrade of G.O. bond credit ratings. A downgraded credit rating could result in increased interest rates, so there would be a higher cost to issuing debt and reduce remaining principal.

Impacts of Raising Certificates of Participation Debt Limit

As shown in Exhibit 41, City COPs will reach its debt capacity constraint in approximately FY 2028-29. Under City policy, the annual debt service paid on COPs may not exceed 3.25 percent of General Fund aggregate discretionary revenue. If the City were to relax this policy, the City would be able to expand the COPs program to fund more capital projects.

Exhibit 41: Certificate of Participation Debt Program (FY 2026-35)



Source: Office of Public Finance

Increasing the debt limit for COPs would require changes to the City's debt policies, which require Board of Supervisors' approval and cooperation of the administration. In addition, the Board of Supervisors would need to amend Administrative Code Section 10.62(b)(3), where the 3.25 percent debt limit is codified.

Our office developed a model similar to the G.O. bond model above to estimate the total debt capacity the City could obtain if it were to allow a larger percentage of General Fund revenues to be allocated to COPs debt service. We estimate that using FY 2025-26 budgeted revenues, the City

¹⁵⁸ Board of Equalization data shows an average property tax rate for each county that accounts for varying tax rates in different cities, school districts, and special districts within each county.

could increase its COPs debt capacity by approximately \$128 million for every quarter-point increase to the 3.25 percent limit, as shown in Exhibit 42 below. Each 0.25 percent increase in the City's COPs limit would allow for approximately \$12 million of new annual debt service funded by the General Fund based on FY 2025-26 budgeted revenues. This model assumes that COPs are issued at a 6.5 percent interest rate for a term of 20 years.

Exhibit 42: Estimated COPs Debt Capacity Additional Principal with Increase to General Fund Revenue Constraint (FY 2025-26)

FY 2025-26 General Fund Discretionary Revenue		\$4,660,000,000	
General Fund Revenue Paid to COPs Debt Service	COPs Principal Debt Capacity	Increase to COPs Debt Capacity	Annual Debt Service Limit
3.25% (Current Limit)	\$1,668,752,923	-	\$151,450,000
3.50%	1,797,118,532	128,365,609	163,100,000
3.75%	1,925,484,141	256,731,219	174,750,000
4.00%	2,053,849,751	385,096,828	186,400,000
4.25%	2,182,215,360	513,462,438	197,340,250

Source: BLA estimates using Controller's Office data. Assumes COPs are issued at a 6.5% interest rate for 20-year terms.

The Office of Public Finance (OPF) typically assumes that approximately 15 to 20 percent of COPs proceeds are required for costs of issuance, capitalized interest, and reserves, although this amount may be closer to 25 percent for a smaller COPs issuance. Incorporating this assumption, if an additional \$128 million in COPs were to be issued due to larger debt capacity, the actual proceeds available for the City's capital plan would be approximately \$102 to \$109 million for every 0.25 percent increase in the City's COPs limit.

Tradeoff Considerations

Unlike G.O. bonds, which are repaid by property taxes dedicated to debt service, COPs are repaid with General Fund revenues. Thus, the trade-off related to increasing debt capacity for COPS in this case is not an increase in property taxes, but rather that any increase in COPs debt service would mean reduced General Fund monies available for other purposes. Increasing COPs debt can also contribute to downgrading credit ratings and result in increased interest rates.

Summary and Possible Actions for the Board of Supervisors

The Board of Supervisors should consider proposing amendments to current City caps on debt issuance for general obligation bonds and certificates of participation and stipulating that incremental debt capacity be directed to affordable housing. While providing additional resources for affordable housing through increased debt capacity, this would not change debt capacity for other purposes though it would mean relatively more General Fund resources being allocated to affordable housing instead of other City purposes.

9. Increase Housing Trust Fund Allocation

In May 2026, a proposal to expand the San Francisco Housing Trust Fund was announced. The proposed ballot measure would dedicate a portion of future growth in property tax revenues to the fund annually until allocations reach \$125 million. Thereafter, funding would increase annually at the same rate as discretionary General Fund revenues, capped at 3% per year, through 2058.¹⁵⁹

Currently, the Housing Trust Fund receives an annual allocation from the General Fund of approximately \$52 million. Increased allocations would not create new revenue for the City for affordable housing but would redirect resources that would otherwise be available for the General Fund.

Voters approved the Housing Trust Fund in 2012 allowing for an annual General Fund allocation for affordable housing that started as \$20 million in 2013 and increased each year by \$2.8 million until it reached \$50.8 million, at which point the allocation could be increased or decreased each year by the change in the City's General Fund discretionary revenues until 2043 when the fund would expire. The new proposal calls for an annual allocation of property tax growth each year until the allocation reaches \$125 million. After that, the fund would grow at the same rate as General Fund discretionary revenue up to 3% per year, through 2058.

Summary and Possible Actions for the Board of Supervisors

The proposed initiative provides a pathway for increasing funding for affordable housing through the established Housing Trust Fund. The Board of Supervisors could support this effort or consider and promote alternative amounts and timelines to enhance this funding source.

¹⁵⁹ Office of the Mayor, 2026, Mayor Lurie, Supervisor Melgar Announce Transformative Funding For Affordable Housing: <https://www.sf.gov/news-mayor-lurie-supervisor-melgar-announce-transformative-funding-for-affordable-housing>

10. New or Enhanced Taxes

The City may consider new or enhanced sources of revenue to dedicate towards affordable housing. This section reviews taxation options that have been pursued by other government jurisdictions and assesses their viability for San Francisco. These taxes may be dedicated to a revolving loan fund or open indenture, or to supplement existing resources like the Housing Trust Fund or the Housing Stability Fund.

Vacancy tax. A vacancy tax imposes a tax on units left vacant. San Francisco voters approved the Empty Homes Tax (Proposition M), in the 2022 General Election, imposing annual fees on certain residential units vacant for over 182 days, with rates up to \$20,000 per unit. However, in 2024, the San Francisco Superior Court ruled it unconstitutional, and it has not been implemented.¹⁶⁰ The City could explore legal pathways to attempt to revise and push forward this tax. The cities of Berkeley and Oakland have both adopted vacant home taxes. The City of San Diego is considering imposition of a vacant housing tax as of the writing of this report. Similarly, an annual surcharge on luxury homes in San Francisco that are not the owner's primary residence could be imposed. New York City is exploring a second-home tax on properties worth over \$5 million, estimating it could raise \$500 million annually.¹⁶¹

Speculation/flipping tax. San Francisco could implement a tiered tax on properties that are "flipped" or used for speculation. The City could identify units bought and sold within a short timeframe, under 18 to 36 months, and that are not owner-occupied, and impose this tax on them. Vancouver, BC has implemented this approach, raising \$79 million in 2024 for affordable housing, with more than 81 percent of revenues coming from non-B.C. resident owners.¹⁶²

Windfall tax. A windfall tax is a one-time tax on excess profits aimed at capturing large gains from favorable economic shifts.¹⁶³ A one-time cash infusion could be used to establish a revolving loan fund or help launch a public bank. The City could monitor the evolving AI industry and other high-growth sectors for future opportunities. Alternatively, the City could explore a windfall tax on the value generated by land-use changes, such as the potential rezoning from the Family Zoning Plan. However, this approach may compete with other tools like an Enhanced Infrastructure Financing District (EIFD).

Parcel tax. The parcel tax is a dedicated form of property tax frequently utilized by local governments to fund specific public services. Unlike traditional property taxes, which are calculated based on the assessed value of a property, a parcel tax is typically levied at a flat rate or according to specific property characteristics such as square footage. Since the tax is not related to land value, it does not violate Proposition 13. This tax, given that it is fixed, would not vary due to changes in economic conditions and may be a stable source of revenue.

Drawbacks of this tax include that it is regressive and subject to two-thirds voter approval. To mitigate the disproportionate burden from its regressive structure, a tax based on parcel size can be considered. Policymakers and advocates in San Francisco are currently considering a parcel tax

¹⁶⁰ <https://sftreasurer.org/business/taxes-fees/empty-homes-tax-eh>

¹⁶¹ <https://www.nytimes.com/2026/04/14/nyregion/hochul-pied-terre-tax.html>

¹⁶² <https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax>

¹⁶³ <https://calbudgetcenter.org/resources/qa-what-would-a-windfall-profits-tax-mean-for-california/>

on a subsequent ballot to fund MUNI operations. This measure is expected to go on the November 2026 ballot and generate \$160 million to close the transit system's ongoing operating deficit. To address the regressive nature of the tax, the proposal is based on the square footage of each parcel.¹⁶⁴

Real property transfer tax. San Francisco already has a transfer tax, which is imposed on the transfer of land or real property from one entity to another. The City's transfer tax ranges from 0.5 percent to 6 percent depending on the property sale price. The City doubled the rate for the highest valued properties with Proposition I in 2020, from 3 percent to 6 percent. The Controller's office estimated an average of \$196 million annual revenues from this increase prior to the 2020 election, noting the tax's volatility and the majority share of property value coming from commercial office and hotels.¹⁶⁵ However, an ordinance introduced in February 2026 could reverse Proposition I by reducing transfer tax rates, thereby decreasing the City's transfer tax revenue by \$390 million from FY 2026-27 to FY 2029-30, according to the March Budget Outlook Update.¹⁶⁶ On the other hand, another ballot initiative, called the Affordable Housing Guarantee Act, has been proposed by community groups to dedicate all Proposition I-generated revenue to affordable housing. Signatures are being gathered for this initiative to go on the November 2026 ballot.

The City of Los Angeles implemented a transfer tax measure that took effect in April 2023, Measure ULA ("United to House LA"). This tax is levied at 4 percent for properties valued at \$5.3 to \$10.6 million and 5.5 percent for properties valued at \$10.6 million or more.¹⁶⁷ When added to Los Angeles's base tax, the top tiers are equal to 6 percent. Unlike San Francisco's tax, Los Angeles directs funds from this tax directly to affordable housing. As of February 2026, this measure has raised over \$1 billion over 1,497 transactions. Nearly half of Los Angeles's revenue comes from single-family residential, which is unlikely for San Francisco to match given that only 3 percent of the value of properties over \$10 million comes from single family residential.¹⁶⁸ This tax is subject to economic conditions, especially should commercial office space vacancies remain high and their long-term economic viability remain in question.

A recently released draft RAND study found that Measure ULA has depressed high value real estate transactions, reducing property tax revenue for cities and schools, and a dampening of commercial development, including market rate housing production. Various stakeholders are considering reforms to the measure in Los Angeles and a statewide initiative may be on the November 2026 ballot that could potentially sunset Measure ULA and similar measures across the state.

¹⁶⁴ Connect Bay Area

¹⁶⁵San Francisco Office of the Controller, *Economic Impact Report: Payroll Expense Tax Replacement – Proposition F* (San Francisco: City and County of San Francisco, October 20, 2020), https://sfcontroller.org/sites/default/files/Documents/Economic%20Analysis/200654_economic%20impact_final.pdf

¹⁶⁶ City and County of San Francisco. Budget Outlook Update (March Five-Year Update) https://media.api.sf.gov/documents/March_Update_FY_26-27_through_FY_29-30_FINAL.pdf

¹⁶⁷City of Los Angeles, Office of Finance, "Measure ULA FAQ," City of Los Angeles, <https://finance.lacity.gov/fag/measure-ula>

¹⁶⁸ Los Angeles Housing Department, "Measure ULA Revenue and Expenditures," City of Los Angeles, <https://housing.lacity.gov/ula-revenue>

Sales tax. The City may consider a sales tax enhancement to raise funds for affordable housing. Though typically a regressive tax, disproportionately impacting lower income residents, a luxury goods tax could avoid this. Though a sales tax will be volatile relative to the amount of overall consumption taking place within the city, it is unlikely to fall to zero. A regional sales tax initiative projected to generate \$170 million annually is likely to be placed on the November 2026 ballot. Los Angeles County imposed a half-cent countywide sales tax enhancement in 2024 with all proceeds being allocated to affordable housing, homelessness prevention, and services for vulnerable residents. It is projected to generate over \$1 billion annually.

Excess compensation tax. An excess compensation tax is levied based on any individual employee earning over a certain threshold, applied at a flat rate on every dollar paid above this threshold. For example, in Seattle, Washington the Social Housing Tax (Prop 1A), which passed in early 2025, imposes a 5 percent tax on companies that pay any employee more than \$1 million annually. This tax raised over \$115 million in its first year, exceeding initial expectations of \$50 million.¹⁶⁹ Though superficially similar to San Francisco's existing Overpaid Executive Gross Receipts Tax, Seattle's tax is a flat 5 percent tax on any compensation paid to an employee in excess of \$1 million, whereas San Francisco's tax is a gross receipts tax based on the ratio of CEO pay to median worker pay.¹⁷⁰ Proposition M lowered the Overpaid Executive Gross Receipts Tax in 2024. Meanwhile, organizers in San Francisco introduced the Overpaid CEO Act, Measure D, voted on in June 2026 ballot.¹⁷¹

¹⁶⁹ Justin Carder, "With a Stronger-Than-Expected Tax Boost, Funding of Seattle Social Housing Developer Begins with \$115M Push," *Capitol Hill Seattle Blog*, February 10, 2026, <https://www.capitolhillseattle.com/2026/02/with-a-stronger-than-expected-tax-boost-funding-of-seattle-social-housing-developer-begins-with-115m-push/>

¹⁷⁰ San Francisco Treasurer and Tax Collector "Overpaid Executive Gross Receipts Tax (OE)," SF.gov <https://sftreasurer.org/business/taxes-fees/overpaid-executive-gross-receipts-tax-oe>

¹⁷¹ SEIU Local 2015, "A San Francisco Coalition Introduces the 'Overpaid Executive Tax' to Protect Critical City Services," SEIU 2025, <https://www.seiu2015.org/a-san-francisco-coalition-introduces-the-overpaid-ceo-act-to-protect-critical-city-services/>

Continue to Pursue Local and Regional Bonds

In addition to the above financing tools, San Francisco must continue pursuing General Obligation (G.O.) bonds to meet the scale of its Regional Housing Need Allocation (RHNA) goals. G.O. bond funding can be used to leverage additional funding; historical data from the Mayor's Office of Housing and Community Development (MOHCD) shows that for every \$1 of local funding spent, the City was able to leverage approximately \$2 in additional funding from state and federal tax credits, competitive grants, and other sources.¹⁷² The City's most recent 2024 G.O. Bond totaled \$300 million, with \$240 million towards construction of affordable housing, \$30 million for affordable housing preservation, and \$30 million for victim and survivor transitional housing.¹⁷³ Although G.O. bonds are one-time sources of funding, the City should continue to use them as an ongoing funding source for affordable housing.

San Francisco is currently participating in the Regional Housing Measure Coordinating Group, which will help shape a 2028 regional housing bond. This could provide a significant new funding source for affordable housing in San Francisco. The Bay Area Housing Finance Authority (BAHFA), established in 2019, previously developed a \$20 billion bond proposal that would have allocated about \$2.4 billion to San Francisco and was initially slated for the November 2024 ballot. Although that measure was ultimately withdrawn, the framework remains in place for future regional bond efforts.¹⁷⁴

Continue Advocacy Efforts

Beyond pursuing new financial tools and funding sources, the City should continue advocating for state and federal dollars, as they have a multiplier effect on City funding, with each City dollar having the potential to double, or more, when part of leveraging a state or federal program. At the federal level, for instance, the Leadership Council report recommends the City pursue additional Restore-Rebuild¹⁷⁵ funding as well as advocating for deeper subsidies per unit. The City should also continue advocating for relevant policy changes. For example, reforming Proposition 13 to a "split roll" system that reassesses commercial properties at market value could significantly increase City revenues to support housing and infrastructure investments. In addition, supporting the California Affordable Housing Bond Act of 2026 would benefit San Francisco.

Continue Efficiency Efforts

The City should continue advancing efforts to reduce costs and streamline permit processing to lower construction costs for affordable and market-rate housing. The post-entitlement permit processing at the Department of Building Inspection has been shown to take a median of 270 days,

¹⁷² San Francisco Mayor's Office of Housing and Community Development, *2024 Affordable Housing General Obligation Bond Report* (San Francisco: City and County of San Francisco, December 31, 2025), <https://sfgov.legistar.com/View.ashx?M=F&ID=12392889&GUID=5288FDB8-9E8D-4C38-80FE-4A87047B1BA9>

¹⁷³ "2024 Affordable Housing General Obligation Bond," *City and County of San Francisco*, 2024, www.sf.gov/2024-affordable-housing-general-obligation-bond.

¹⁷⁴ "Bay Area Affordable Housing Bond." *Metropolitan Transportation Commission*, Metropolitan Transportation Commission / Bay Area Housing Finance Authority, <https://mtc.ca.gov/about-mtc/authorities/bay-area-housing-finance-authority/bay-area-affordable-housing-bond>

¹⁷⁵ Restore-Rebuild has replaced the "Faircloth-to-RAD." For Leadership Council recommendations, reference 1.A.8 and 2.A.3.

which is higher than peer cities and adds to overall project time and costs.¹⁷⁶ With the passage of State laws like AB 2011 and AB 2162, entitlement times for most affordable housing projects has dropped dramatically from 12-18 months to 2-4 months. Innovative models of pre-fab buildings, modular models, and off-site construction could cut construction timelines by 10 to 30 percent according to the Turner Center for Housing Innovation but the affordable housing industry is still working to adapt to the structural changes needed to fully utilize modular construction. Several efforts are under way to pilot these models in San Francisco.

Multiple funding sources add administrative costs and time to affordable housing development; the Turner Center estimates \$20,460 more in per-unit costs per additional funding source required. MOHCD staff report they are actively involved in efforts to streamline the state funding awards process to reduce these costs but the reforms rely on changes made by the State and the Legislature. Efforts to reduce construction costs and simplify funding sources would reduce costs, and decrease the amount of funding needed to be raised from taxpayers or diverted from other sources. Exhibit 44 below summarizes efficiency recommendations from the Housing Accelerator Fund from December 2025.

The Leadership Council's 2024 Affordable Housing Funding and Financing Recommendations Report details several strategies that can be used to advocate for more funding, cut construction costs, and speed up City processes.¹⁷⁷ The City is working to implement many of these recommendations, and should continue adopting as many strategies as feasible given the large gap between the City's current capacity and its RHNA goals.

¹⁷⁶ Budget and Legislative Analyst's Office, *Policy Analysis Report: Post-Entitlement Permitting in San Francisco*, March 2026 https://sfbos.org/sites/default/files/BLA_Post_Entitlement_Permitting_030526.pdf

¹⁷⁷ San Francisco Planning Department, *Housing Affordability Strategies*.

Exhibit 44: Housing Accelerator Fund Ideas to Reduce Total Development Cost and Time

Category	Recommendation
Reduce Construction Costs	Consider implementing a temporary “emergency hold” on certain public construction contracting requirements that inflate construction costs Incentivize and encourage more affordable housing projects using industrialized and modular construction methods in San Francisco Support design replication and standardized building typologies
Further Streamline 100% Affordable Project Permitting and Increase Affordable Land Acquisition Opportunities	Create a super streamlined entitlement and permitting process for 100% affordable housing projects Develop new strategies to put remnant and smaller parcels to use
Streamline City Regulations and Requirements that Increase Soft Costs and Make Affordable Housing Less Feasible	Launch a comprehensive review and streamlining initiative focused on minimizing redundant or ineffective requirements for affordable housing Create waiver authority or categorical exemptions for certain reviews Establish a standardized compliance framework for affordable projects Consolidate interagency review through PermitSF Leverage the Affordable Housing Leadership Council as a resource

Source: Email, Housing Accelerator Fund, “Re: Ideas from the Housing Accelerator Fund– Family Zoning Plan and Next Steps for Increasing Affordable Housing Production”, December 2025

Policy Comparison & Cost Analysis

To reach its RHNA goals, the City must pursue multiple strategies to accelerate the production of affordable housing. Exhibit 46 below summarizes the policies reviewed above. Each is assessed based on its potential to unlock additional housing units, the level of municipal or state control required for its execution, the administrative complexity of its implementation timeline, and the total fiscal impact including initial investments and ongoing costs.

Exhibit 46: Policy Comparison Matrix

	Scale of Impact	Governance & Mandate	Implementation & Cost
Revolving Loan Fund	Relative to size of seed funding; allows for ongoing lending and eventual self-sustaining fund.	City-controlled; the City sets interest rates, terms, and eligibility (e.g., targeting specific AMI levels).	Relatively simple to implement once initial seed funding, from \$100 - \$300 million, is secured plus possible debt service payments on bonds for as much as 20 years.
Joint Powers Authority	Merging of two or more agencies, such as MOHCD and Housing Authority to pool affordable housing-related resources. Could house a revolving loan fund or purchase/retain ownership of affordable housing.	Allowed by State law. Would have bonding authority and housing developed and owned by entity would be exempt from property tax, aiding affordability.	Would incur start-up costs for changed structure and initial implementation. SFHA would need to enhance its resources for property management function. Seed money from City may be needed depending on structure and functions.
Open Indenture	A projected 1.4x–2.9x leverage on local funding in Los Angeles estimate.	City-controlled; the City establishes the master agreement, setting terms.	Significant upfront costs in terms of capital and administration. High legal and administrative setup costs; requires strong credit ratings and debt management staff.
SB 593	First bond issuance of \$180 million proposed for FY 2026-27	City-controlled; the City has the authority to issue bonds under SB 593 authority.	Implementation underway, with initial steps taken from OCII. Redirects tax increment away from General Fund.

EIFD	The remaining EIFD capacity under the current policy would be \$22 million in annual revenue, which could support a bond sale of approximately \$250 million for one-time infrastructure costs, including affordable housing.	City-controlled; Governed by a Public Financing Authority (PFA) with no voter approval needed for formation.	Redirects future General Fund growth for affordable housing. Significant upfront planning and political support. Bonding against an unstable revenue source poses a risk to the City's financial standing.
Prop I	An average of \$97.6 million/year generated though volatile due to reliance on real estate transactions and the state of the economy.	Voter-approved; measure already passed as a general tax. Separate legislation created Housing Stability Fund and policy direction for City to develop social housing.	Existing tax collection infrastructure is used. No new capital needed to start. Revenue is progressive, targeting transactions over \$10M, but sensitive to market cycles.
Municipal Bank	Approximately \$120 million in loans forecast for first three years, some of which would go to support affordable housing projects that can support amortizing debt.	Separate entity required. Voter-approval; may be on 2026 ballot.	Multiple-year implementation timeline; major legal and financial undertaking with multi-year breakeven timeline. Significant upfront costs in terms of capital and administration. High legal and administrative setup costs.
Additional Debt	G.O. bond debt capacity could increase by approximately \$410 million for each 0.01 percent increase in debt limit. Likewise, COP debt capacity would increase by approximately \$128 million for every quarter-point increase to the 3.25 percent limit. Additional debt could be allocated to affordable housing	City-controlled; requires a change in City policy.	Increases in G.O. bond debt capacity would require raising the property tax rate dedicated to repaying the bonds. Increasing COP debt capacity would divert additional resources from the General Fund. Higher overall debt levels could also lead to a downgrade of the City's credit rating, which would raise interest rates and make borrowing more expensive for the City.
Additional Taxes	Varies	Voter-approved; local tax requires voter approval.	No costs beyond administrative support.

Source: BLA Analysis

Financing Strategies Recommendations

The Board of Supervisors should:

- 3.1 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*.
- 3.2 To help determine which if any of these options should be pursued, request staff input on the details of the costs for the City launching one or more of the following instruments to generate funding for affordable housing: a revolving loan fund, a joint powers authority, an open indenture program, and a municipal bank.
- 3.3 To allow for greater use of Enhanced Infrastructure Financing Districts to generate more affordable housing, consider increasing the City's debt limit for these districts from the current five percent of the City's annual property tax revenues.
- 3.4 Request that the Office of Community Investment and Infrastructure report back to the Board of Supervisors on its plan for financing and developing up to 5,842 eligible

affordable housing units to replace those lost through redevelopment-related displacement in previous decades.

- 3.5 Advocate for an ongoing allocation of Proposition I-generated revenue for social housing or other affordable housing approaches.
- 3.6 Consider increasing the City's debt limits for General Obligation bonds and Certificates of Participation with the additional bonding capacity dedicated to affordable housing.
- 3.7 Consider supporting the proposed increase and ballot initiative that would increase the annual allocation from the General Fund to the City's Housing Trust Fund from the current approximately \$52 million to a proposed \$125 million.
- 3.8 Consider increases to various City taxes with the proceeds dedicated to affordable housing.

4. Equity Gaps and Opportunities

As discussed earlier, a significant gap remains between existing housing supply in San Francisco and the units required to meet Regional Housing Needs Allocation (RHNA) targets. As of 2025, the City faced an affordable housing deficit of 40,533 units for the 2023-2031 RHNA cycle.¹⁷⁸ While progress toward RHNA targets is reported annually to the State, these metrics do not capture how housing is distributed or accessed.

This raises equity questions: who benefits from the City's affordable housing investments, how households access available units, whether those units meet the needs of diverse and vulnerable populations, and what is the City's capacity to meet the many affordable housing needs of its residents. This section provides an overview of the City's affordable housing delivery system, examines patterns in unit distribution, and assesses the extent to which City strategies address these equity considerations.

San Francisco's Affordable Housing Delivery System

Although the Mayor's Office of Housing and Community Development (MOHCD) is the primary department working to build and deliver affordable housing for San Francisco residents, other departments play an important role within the affordable housing delivery system. For homeless individuals, the Department of Homelessness and Supportive Housing (HSH) operates the Coordinated Entry system to accept individuals with the highest needs into homelessness services and housing, manages temporary shelters and permanent supportive housing, and funds supportive services, and besides managing public housing, the San Francisco Housing Authority (SFHA) administers federal housing vouchers, including Housing Choice Vouchers (HCV; section 8) and specialized programs for older adults, adults with disabilities, and veterans. This section summarizes affordable housing programs across these departments and how they affect the provision of affordable housing in San Francisco to vulnerable populations

DAHLIA

A first indicator of which vulnerable groups benefit from the City's affordable housing system is allocation preferences codified in City codes. All available City sponsored affordable housing units are posted on the DAHLIA (Database of Affordable Housing Listings, Information, and Applications) Housing Portal, administered by MOHCD. DAHLIA does not list units that are occupied via referrals (e.g., PSH, VASH, TAY, LOSP, PBV) or exclusively HUD funded units. To apply for a City sponsored affordable unit, individuals complete an online application. The system will randomize applications, then sort them by which preference categories they qualify for. When at least one person on an application qualifies for a preference, the household receives a higher ranking in the housing lottery.¹⁷⁹ The following preferences prioritize applicants' priority in the ranking:¹⁸⁰

¹⁷⁸ San Francisco Planning Department, *2025 San Francisco Housing Inventory* (San Francisco, published April 2026), 5, https://sfplanning.org/sites/default/files/resources/2026-04/2025_Housing_Inventory.pdf

¹⁷⁹ Mayor's Office of Housing and Community Development, "Get Priority in the Housing Lottery," City and County of San Francisco, <https://www.sf.gov/get-priority-housing-lottery>.

¹⁸⁰ Mayor's Office of Housing and Community Development, "Document Checklist," DAHLIA San Francisco Housing Portal, City and County of San Francisco, <https://housing.sfgov.org/document-checklist>.

1. **Certificate of Preference (COP)** – For families displaced by the former San Francisco Redevelopment Agency’s federally funded urban renewal program, as well as their descendants, in accordance with State law. In FY 2024-25, MOHCD issued 64 COP certificates to original displaced household members, and 345 to their descendants. A total of four individuals were placed into rental housing with this preference in the same year.
2. **Displaced Tenant Housing Preference Program (DTHP)** – For those forced to move due to no-fault eviction because of:
 - fire displacement,
 - eviction due to owner move-in or under the Ellis Act,
 - rising rent costs in an affordable housing unit, or
 - previous residence in an unlawful or illegal residential unit.¹⁸¹

20 percent of available lottery units are reserved for this preference. In FY 2024-25, MOHCD issued 115 DTHP certificates, placing 29 applicants with the certificate into rental housing and two into ownership housing.

3. **Neighborhood Resident Housing Preference (NRHP)** – For those living in the same Supervisor district – or within a half mile – of the available unit. 40 percent of available lottery units in newly constructed buildings are reserved for this preference. FY 2024-25 saw a total of 8,032 NRHP applicants, with 129 placed into rental housing and three into ownership housing.
4. **Other preferences** – although MOHCD only reports on the three above preferences, the below are also listed as preferences on the DAHLIA website.
 - *Live or Work in San Francisco Preference* – For anyone living or working in San Francisco.
 - *Veterans* – For veterans. This benefit allows veterans to obtain a preference within one of the three categories above. For example, a veteran qualifying for DTHP will be at the top of the DTHP list, but will remain ranked below those with COP.
 - *HOPE SF Right to Return Preference* – For former or current residents of eligible public housing communities.

In total, MOHCD reports placing 189 households into units through preferences in the lottery in FY 2024-25. Given 8,290 preference program applications total during the fiscal year, this shows an overall placement rate of only 2.3 percent, as shown in Exhibit 47 below, indicating that demand significantly exceeds supply. Note that these numbers only represent applicants with preferences; there were even more applicants without a preference that did not obtain housing through the lottery.

Exhibit 47: Lottery Preference Program Placements, FY 2024-25

Preference Program	Preference Program Applicants	Occupants*	Placement Rate
Certificate of Preference (COP)	81	4	4.9%
Displaced Tenant Housing Preference Program (DTHP)	177	31	17.5%
Neighborhood Resident Housing Preference (NRHP)	8,032	154	1.9%
Total	8,290	189	2.3%

*All successful applicants became occupants in FY 2024-25

Source: MOHCD Annual Report FY 2024-25

Exhibit 48a below shows that San Francisco's FY 2024–25 lottery preference placements were highly competitive, with 163 Neighborhood Resident Housing Preference (NRHP) units attracting 8,012 applicants who qualified for the preference and 51,674 total applicants across nine projects. On average, there were 49 NRHP applicants per unit and 317 total applicants per unit, highlighting the high demand for subsidized affordable housing opportunities and the absence of a sufficient supply of housing.

Exhibit 48a: Neighborhood Resident Housing Preference Lottery Program Placements, FY 2024-25

Project Name	NRHP Units	NRHP Applicants	Total Applicants	NRHP Applicants/Unit	Total Applicants/Unit
1830 Alemany	23	739	4,956	32	215
38 Harriet Street	2	614	3,219	307	1,610
Alta Potrero	11	775	6,066	70	551
Astella	12	909	4,360	76	363
Modera Rincon Hill	9	1,111	5,857	123	651
The Fitzgerald	5	1,381	5,489	276	1,098
Islais Place	40	1,445	9,914	36	248
Shirley Chisholm	53	572	8,402	11	159
Star View Court	8	466	3,411	58	426
Total	163	8,012	51,674	49	317

Source: MOHCD Annual Report FY 2024-25

In addition to the housing lottery, MOHCD occasionally offers First-Come, First-Served (FCFS) units when market conditions cause project sponsors to exhaust their lottery list. To apply for these units, visitors to the DAHLIA website can follow a link to a list of below-market-rate (BMR) units for which housing counselors are available, but no priority is given and units are offered on a first come, first served basis.¹⁸² MOHCD did not report any new FCFS units in FY 2024-25.

The ratio of applicants to affordable housing units provides a strong indicator of the gap between need and affordable housing supply in San Francisco. Housing is not available for many rent-burdened households and the various vulnerable subgroups within that population.

¹⁸² Mayor's Office of Housing and Community Development, "Additional Housing Opportunities," DAHLIA San Francisco Housing Portal, City and County of San Francisco, <https://housing.sfgov.org/additional-resources>.

Regarding the demographics of renters, MOHCD rental placement demographics closely mirror the applicant demographics, as shown in Exhibit 48b below. Across a total of 101,414 applicants in 2025, only 546, or 0.53 percent, became occupants. This rate varied slightly across demographic categories, ranging from 0.39 percent to 0.91. However, since individuals identifying with multiple race or ethnicity groups count towards multiple groups, a single person can appear in multiple groups, making it impossible to tell whether these small differences are real or a result of double-counting.

Exhibit 48b: 2025 Demographics of MOHCD Affordable Housing Rentals*

Demographic	# Applicants	% Applicants	# Occupants	% of Occupants	% of Applicants Becoming Occupants
Asian	27,190	24.4%	144	23.2%	0.53%
Black	16,879	15.2%	81	13.0%	0.48%
Indigenous	2,441	2.2%	12	1.9%	0.49%
Latino	33,792	30.3%	200	32.2%	0.59%
Middle Eastern/West Asian or North African	4,604	4.1%	18	2.9%	0.39%
Pacific Islander	1,757	1.6%	16	2.6%	0.91%
White	14,749	13.2%	93	15.0%	0.63%
Unknown	9,953	8.9%	57	9.2%	0.57%
Total	111,365	100.0%	621	100.0%	0.56%
Unduplicated Count**	101,414	91.1%	546	87.9%	0.53%

*Includes inclusionary and 100% Affordable Housing units

**Individuals identifying with multiple race or ethnicity groups count towards multiple groups

Source: MOHCD 2025 Annual Report

While the distribution of applicants by race and ethnicity is not proportional to their share of the City population, it cannot be determined from this data alone if City affordable housing systems are encouraging or discouraging any particular groups. It can be seen though that once individuals chose to apply for affordable housing, the rate of acceptance is equally low among all groups. Future equity analyses should examine how these groups are served relative to their share of San Francisco's population to better understand whether certain groups face higher barriers to application.

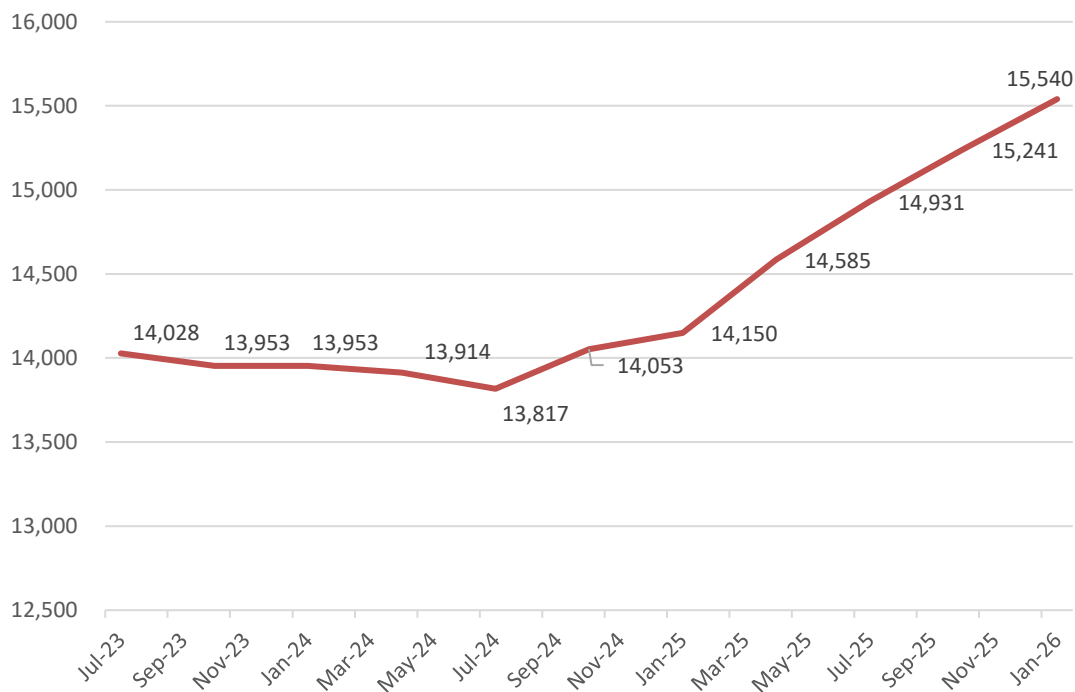
Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing (HSH) leads the City's work to help some of the City's most vulnerable residents - individuals experiencing homelessness - connect to both emergency shelter and longer-term housing. The City's street outreach model features outreach, case management, street crisis response, and multi-disciplinary street teams.¹⁸³ Through its Access Points, HSH connects individuals to Coordinated Entry for adults, families,

¹⁸³ City and County of San Francisco, *2024-2025 Consolidated Annual Performance and Evaluation Report (CAPER)* (San Francisco: Mayor's Office of Housing and Community Development, 2025)
https://media.api.sf.gov/documents/San_Francisco_2024-2025_CAPER.pdf

youth, and survivors fleeing domestic violence. Street Outreach teams also meet individuals where they are so that travel to an Access Point is not required to access housing. Together, these services provide pathways to short-term housing and link individuals to longer-term permanent supportive housing (PSH).¹⁸⁴ As of August 2025, the City's shelter system had a capacity of 4,288 beds and HSH reports a total of 15,540 supportive housing units including PSH rapid rehousing subsidies¹⁸⁵ and shallow subsidies, representing steady year over year growth every year since 2024.¹⁸⁶ Alongside growth in HSH units and subsidies, as shown in Exhibit 49 below, San Francisco has seen a decrease in homelessness. The preliminary 2026 Point-in-Time Count identified 7,973 people experiencing homelessness, a four percent decrease from 2024. Of these, 3,400 individuals were unsheltered, down 22 percent from 2024.¹⁸⁷ The results of the 2026 count were conducted using a different methodology than prior counts.

Exhibit 49: HSH Active Units & Subsidies*, 2023-2026



*Includes site-based and scattered site permanent supportive housing units, rapid rehousing units, and shallow subsidies

Source: HSH Scorecard Measures, DataSF Open Data Portal, May 2026

¹⁸⁴ Department of Homelessness and Supportive Housing, "Get In-Person Homelessness Help in San Francisco," City and County of San Francisco, <https://www.sf.gov/resource--2024--get-person-homelessness-help-san-francisco>

¹⁸⁵ Including site-based and scattered site

¹⁸⁶ City and County of San Francisco, "Permanent Supportive Housing Occupancy and Total Permanent Housing Units," sf.gov/psh-occupancy-capacity

¹⁸⁷ City and County of San Francisco, "San Francisco's Biennial Point-in-Time (PIT) Count," <https://www.sf.gov/2026-point-in-time-count-preliminary-results>

Understanding the quantity of total housing units available across both HSH and MOHCD is complicated by the fact that housing inventories maintained by MOHCD and HSH overlap, but each database includes units that are not in the other. For instance, HSH's database includes site-based PSH units in privately-owned buildings that are master-leased for supportive housing, whereas MOHCD only tracks properties that received City funding tied to long-term affordability restrictions. Additionally, HSH's database includes scattered-site supportive housing units that are excluded from MOHCD's inventory because they rely on placements within the private rental market.¹⁸⁸ Furthermore, HSH's shelter and crisis intervention beds are not included in the City's housing inventories as they are considered temporary shelter and not affordable housing.

Regardless of the inventory count problems for affordable housing and housing for the homeless, the key indicators above show that there is not enough affordable housing for the vulnerable population of households that qualify for affordable housing by their income and not enough permanent supportive or other types of housing for homeless individuals, one of the most vulnerable populations in San Francisco.

Other Systems: Housing Vouchers and Rental Assistance

San Francisco also connects residents to affordable housing through housing vouchers and rental assistance. Low-income households can access federal non-entitlement vouchers through Housing Choice Vouchers, also known as Section 8 vouchers. To access these, individuals must apply through the San Francisco Housing Authority (SFHA). Due to limited supply, most applicants are placed on a waiting list with a lottery selection process. Once selected from the waitlist, applicants must find a unit that accepts their voucher within the voucher search period, which according to HUD, is typically 60 to 120 days, before the voucher expires.¹⁸⁹ As of the end of 2025, the U.S. Department of Housing and Urban Development (HUD) reported San Francisco to have 15,708¹⁹⁰ leased vouchers and \$441.6 million in SFHA budget authority, with 99.8 percent of funds utilized.¹⁹¹

The City also helps residents retain housing through rent stabilization, protection, and preservation efforts. The San Francisco Emergency Rental Assistance Program (SF ERAP) is a community-based program jointly administered by the Mayor's Office of Housing and Community Development and the Department of Homelessness and Supportive Housing. SF ERAP aims to keep the City's most at-risk tenants in their homes as part of the City and County of San Francisco's anti-displacement and homelessness prevention efforts. The number of vulnerable households served by these programs is presented in Exhibit 50 below.

¹⁸⁸ Correspondence with HSH

¹⁸⁹ U.S. Department of Housing and Urban Development, "Housing Choice Voucher Tenants," <https://www.hud.gov/helping-americans/housing-choice-vouchers-tenants>

¹⁹⁰ This figure includes project-based vouchers, which are tied to specific units and are typically filled through property-specific waiting lists rather than by households independently searching for a unit.

¹⁹¹ U.S. Department of Housing and Urban Development, "Housing Choice Voucher (HCV) Data Dashboard," <https://www.hud.gov/helping-americans/public-indian-housing-hcv-dashboard>

Exhibit 50: MOHCD Success Indicators for Displacement Reduction and Housing Stability, FYs 2020-21 through 2024-25

Year	Received emergency rental assistance	Able to stay in their current unit despite facing eviction	Received tenant education and counseling	Received full-scope eviction defense	Received other eviction defense services
FY 2020-21	1,366	376	1,435	1,298	1,054
FY 2021-22	3,069	421	2,566	1,293	1,530
FY 2022-23	4,975	666	1,778	1,797	2,405
FY 2023-24	4,406	923	1,617	2,020	4,176
FY 2024-25	4,581	1,081	1,438	2,191	4,139
Total	18,397	3,467	8,834	8,599	13,304

Source: MOHCD CAPER Report 2025

Who is Left Behind?

Although San Francisco has made progress toward its RHNA targets, that progress is unevenly distributed across income groups. As of April 2026, with 37.5 percent of the eight-year RHNA cycle completed, San Francisco has completed 9,581 units, or 12 percent of its target. The City has made somewhat more progress toward its low-income and very low-income goals, which are both at 14 percent complete, compared with 10 percent for the above-moderate and moderate-income categories, as shown in Exhibit 52 below.

Exhibit 52. San Francisco is behind on its 2023-2031 RHNA Goals as of April 2026 or 37.5% of the RHNA Cycle Completed

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%

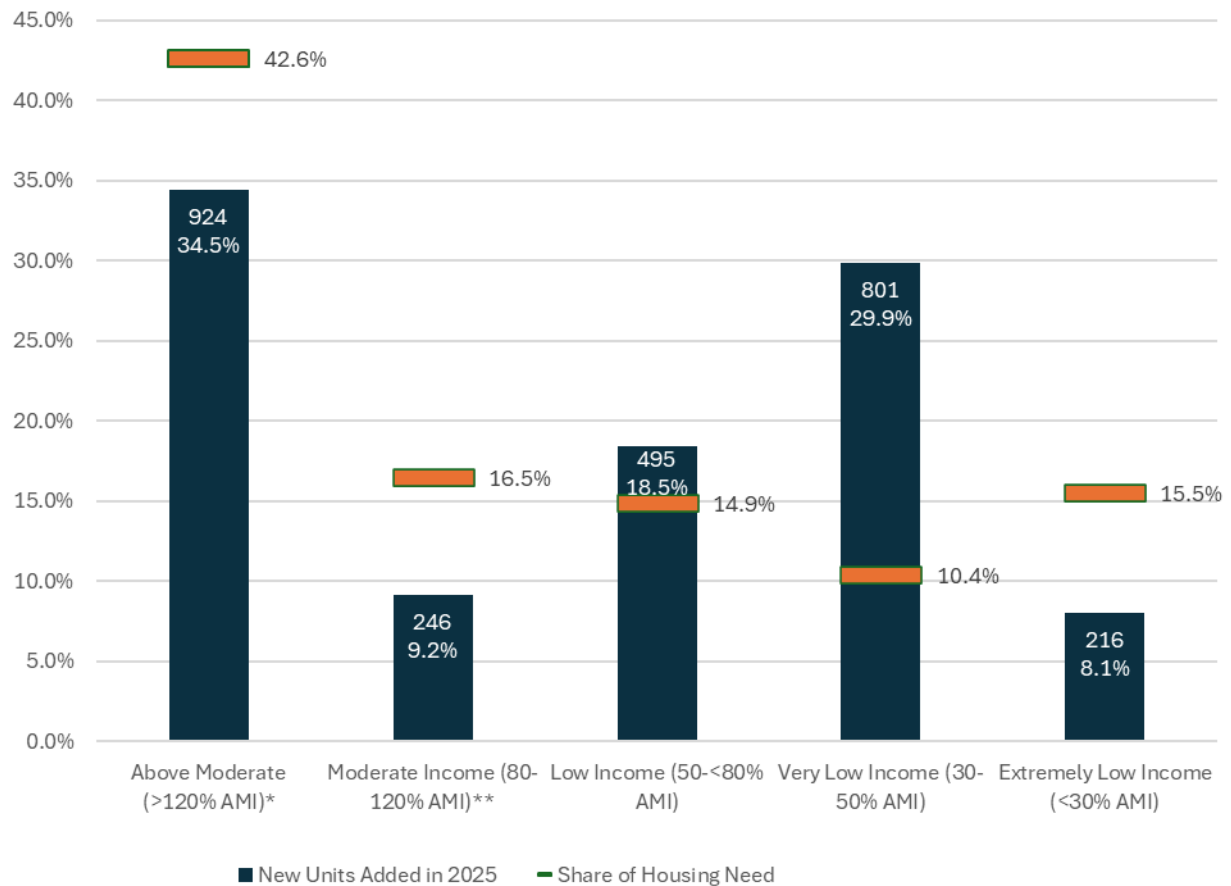
Source: 2025 Housing Inventory, SF Planning Department, April 2026

In absolute terms, the largest share of RHNA production has been in the above-moderate category, which accounts for 3,516 units, or 37 percent of all units completed. Although the very low-income category accounts for 2,981 units, or 31 percent of total progress, a closer look at production for extremely low-income households (below 30 percent of AMI and therefore included in the Very Low Income in the table) reveals a more nuanced pattern.

As shown in Exhibit 53 below, new affordable housing production in 2025 was concentrated in the low- and very low- income tiers rather than in the extremely low-income bracket. Very low-income housing made up the largest share of new units added in 2025 at 801 units, while only 216 units, or 8.1 percent, were produced for extremely low-income households. Production exceeded the

share of need for very low-income households but remained below need for extremely low-income households. According to the California Housing Partnership’s 2026 Affordable Housing Needs report, 65 percent of extremely low-income households are severely rent burdened in San Francisco, paying more than half of their income on housing costs. This is compared to only two percent of moderate-income households that are severely rent burdened.¹⁹²

Exhibit 53: New Housing Units in San Francisco vs. Housing Need, 2025



Source: 2025 Housing Inventory, SF Planning Department, April 2026. Share of Housing Need defined by distribution of RHNA housing goal of 82,069 new units for 2023-2031, by income bracket.

*The 2025 Housing Inventory reports 925 market-rate units produced in 2025

*Includes non-deed-restricted affordable housing determined to be affordable to moderate incomes

Source: San Francisco Planning, 2025 Housing Inventory Report and Association of Bay Area Governments, Final Regional Housing Needs Allocation (RHNA) Plan 2023-2031

The City’s ability to produce deeply affordable housing, especially serving extremely low-income residents, depends on available funding for both capital and operations. When projects can combine local subsidies with state and federal resources, they are better able to serve households at the lowest income levels. Some federal programs are targeted to specific populations, such as

¹⁹² California Housing Partnership, “SAN FRANCISCO COUNTY 2026: Affordable Housing Needs Report” https://calhousingpartnership.org/wp-content/uploads/2026/05/San-Francisco_Housing_Report_2026.pdf

Housing Opportunities for Persons With AIDS (HOPWA for people living with HIV/AIDS) and HUD-VASH for homeless veterans, which means these resources are available only to eligible households within those groups. However, even with federal funding, populations experience unmet need; for example, the 2025-2031 HIV Housing Plan estimates 946 additional units needed to address unmet need.^{193 194}

According to the Planning Department, extremely low-income housing “production” is better understood as adding operating or rental subsidies to units that would otherwise be affordable at very low- or low-income levels. Currently, 60 percent AMI is the breakeven level in subsidized affordable housing, with rents below that level leading to a loss over time. Therefore, ongoing operating subsidies provide additional revenue while keeping units affordable to extremely low-income tenants.

How Does the City Assess and Respond to the Needs of the Most Vulnerable?

Through the Planning Process

The Planning Department’s 2022 Updated Housing Element described itself as the “first housing plan that is centered on racial and social equity” and produced over 350 action items across program areas including but not limited to Redressing and Preventing Discrimination, Centering Equity Communities and Cultural Heritage, and Serving Special Needs Groups. Equity was incorporated into the 2022 Housing Update through San Francisco’s obligations to comply with AB 686’s Affirmatively Furthering Fair Housing (AFFH) and Planning Commission Resolution No. 20738, “Centering Planning on Racial and Social Equity”.¹⁹⁵ To inform the update, from December 2018 to February 2019, the Department conducted extensive outreach, gathering input from public, elected officials, housing advocates, researchers, experts, and more.¹⁹⁶

The City’s new zoning under the Family Zoning Plan reflects the equity emphasis, with focused development in “Housing Opportunity Areas” (neighborhoods designated as “Highest” or “High Resource” on the HCD Opportunity Area Map) to increase equity by expanding housing development in these higher resource areas, which the Planning Department reports comprise roughly 60 percent of San Francisco’s residential land but where only 10 percent of housing development (and a similar percentage of affordable housing) have been produced in the past two decades. This measure aims to Affirmatively Further Fair Housing and promote housing affordability, as previous zoning in these high-resource areas often excluded the types of multi-family developments necessary for affordable housing.

¹⁹³ “Housing Opportunities for Persons With AIDS (HOPWA) Program.” *HUD Exchange*, U.S. Department of Housing and Urban Development, <https://www.hudexchange.info/programs/hopwa/>

¹⁹⁴ City and County of San Francisco, Mayor’s Office of Housing and Community Development. *HIV/AIDS Housing Five-Year Plan FY 2025 - 2030*. https://media.api.sf.gov/documents/HIV_Housing_Plan_2025-2030_1.29.25.pdf

¹⁹⁵ California Department of Housing and Community Development, *AB 686 Summary*. https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos/docs/ab686_summaryhousingelementfinal_04222020.pdf

The Housing Element contains over 350 of what it calls “implementing actions” to implement the Element’s policies and achieve its goals.¹⁹⁷ Progress on these actions are submitted annually to California Department of Housing and Community Development (HCD) as part of its the Annual Progress Report. Though the report is available to the public on HCD’s website, its format is an Excel spreadsheet with over a thousand entries that include technical terminology. This limits its accessibility for members of the public seeking to understand progress. Advocates have raised concerns that it is not clear how these actions are prioritized, and that the process lacks a public-facing or participatory component.

Through MOHCD’s Ongoing Engagement and Reporting

To inform its work of producing affordable housing, MOHCD assesses and responds to community needs through demographic research and community outreach across a range of planning processes and strategic documents. Among MOHCD’s housing and community development plans and reports, the following are key documents regarding the Office’s efforts to address the needs of San Francisco’s most vulnerable populations:

- **Five-Year Consolidated Plan** – A HUD-mandated report outlining needs and strategies to guide the use of four federal funding sources. Each year, MOHCD publishes an annual plan summarizing how it plans to meet the goals outlined in the Consolidated Plan.
- **Consolidated Annual Performance and Evaluation Report (CAPER)** – A HUD-mandated annual report detailing MOHCD’s activities as described in the Action Plan.
- **Analysis of Impediments to Fair Housing Choice**¹⁹⁸ – A HUD-mandated report assessing barriers to housing and identifying goals and strategies to overcome these barriers.
- **HIV/AIDS Housing Plan** – A five-year plan to provide stable housing for people living with HIV/AIDS.

MOHCD conducted robust community outreach to inform its 2025 Consolidated Plan, Analysis of Impediments to Fair Housing Choice, and HIV Housing Plan. Over the course of a year, the City conducted 13 neighborhood-based public forums with 328 participants, held 40 focus groups representing an estimated 400 attendees, and hosted web surveys at EngageSanFrancisco.com, which received 4,125 site visits and 528 survey responses. Overall, MOHCD reports engaging 1,250 participants and published their findings in the Plan’s Appendix. Exhibit 54 shows how MOHCD incorporates community feedback into the Consolidated Plan.

¹⁹⁷ “Housing Element: Implementing Programs,” San Francisco General Plan.

https://generalplan.sfplanning.org/l1_Housing_Implementing_Programs.htm

¹⁹⁸ Mayor's Office of Housing and Community Development (MOHCD), “San Francisco Analysis of Impediments to Fair Housing Choice”,

https://media.api.sf.gov/documents/San_Francisco_Analysis_of_Impediments_-_July_2020_-_June_2025.pdf

Exhibit 54: MOHCD Incorporation of Community Feedback into Consolidated Plan



Source: BLA Analysis of MOHCD 2025 Consolidated Plan

Using community input as well as other Department data and secondary material from the Census Bureau and HUD, MOHCD conducted a needs analysis.¹⁹⁹ These inputs shaped the Analysis of Impediments to Fair Housing Choice report, which assesses barriers and service prioritization, which in turn shapes strategic planning for the Consolidated Plan. Within the Impediments Report, MOHCD reports on its progress of past actions, strategies, and progress. As shown in Exhibit 55 below, MOHCD reports substantial progress on implementing recommendations to address impediments to fair housing choices. This is not to say there are no longer impediments to housing for various subpopulations in San Francisco, but it does say that the housing circumstances of many vulnerable groups have to some extent been identified and analyzed by MOHCD and the City, with attempts made to remove impediments to fair housing opportunities for these groups.

Exhibit 55: MOHCD Progress on Recommendations

Category	Recommendation Implementation Status		
	# Without Progress	# In Progress	# Complete
Impediments to Affordable Housing Development	0	0	2
Impediments to Utilization of Assisted Housing Programs	0	3	2
Impediments to Healthy Living in Low-Cost Market Rate Housing and SROs	2	2	1
Impediments Due to Direct Discrimination	0	1	0
Impediments Facing Seniors and Adults with Disabilities	0	3	4
Impediments Due to Race/Ethnicity	0	0	8
Impediments Facing People with a Criminal Record	1	1	4
Impediments Facing Immigrants and People with Limited English Proficiency	0	0	2
Total	3	10	23

Source: MOHCD Impediments Report 2020-2025, "Assessment of Past Goals, Actions and Strategies"

Exhibits 56 and 57 below identify groups identified in MOHCD's planning documents along with impediments unique to each group. As can be seen, there are numerous issues concerning not only the quantity but the configuration of affordable housing developments to make them more accommodating for certain groups (e.g., people with disabilities needing a second bedroom for a live-in caretaker).

¹⁹⁹ Mayor's Office of Housing and Community Development, "FY 2025-2029 Consolidated Plan," p. 32
<https://www.sf.gov/mohcd-plans-and-reports>

Interviews with housing providers and advocates conducted for this report confirmed many of the concerns identified in the MOHCD documents and added the need for safe housing for women, particularly for survivors of domestic violence, and the shortage of housing for Extremely Low-Income households. As seen in Exhibit 57, women, survivors of violence, and extremely low-income individuals are not included as one of MOHCD's specific populations within its impediments report. As shown in these exhibits, MOHCD has substantial insight on unmet need for a large set of vulnerable groups.

Exhibit 56: Impediments With Limited Progress, MOHCD Impediments Report 2025

Population	Impediment	Recommendation	Status
People with Mental of Psychiatric Disabilities	Tenants who suffer from mental or psychiatric disabilities, or who have hoarding and cluttering behavior, can have difficulties vacating their room for building managers to do needed improvements.	Support SRO tenants in rooms needing repairs or substantial rehabilitation by providing moving assistance.	Not Started
People Experiencing Mental Illness	Unlike nonprofit staff, who specialize in working with these populations, hotel staff seldom know how to approach persons with mental illness or in crisis.	Develop desk clerks in privately owned single room occupancy hotels as trained professionals in order to improve the quality of life for residents, prevent unnecessary institutionalizations/arrests.	Not Started
Formerly Incarcerated	Many people leaving jail and prison need a short- term housing solution while seeking employment and a permanent residence.	Identify funding for new transitional reentry housing.	Not Started
People with Disabilities	People with disabilities who need live-in care have exceptional difficulty accessing City- supported affordable housing if there are too few 2-bedroom units available, or because these units are financially out of reach.	Determine availability and rent requirements for affordable two-bedroom apartments for persons needing an in-home aid.	In-Progress (Limited Action Documented)
Those Facing Discrimination	Based upon reported incidents, alone, it is impossible to know the true prevalence of housing discrimination since people experiencing discrimination may not report it.	Research the prevalence of housing discrimination in San Francisco and identify information gaps amongst renters and owners about fair housing law.	In-Progress (Limited Action Documented)

Source: MOHCD Impediments Report 2025

Exhibit 57: MOHCD Impediments Report Findings for Specific Populations

Population	Population-Specific Housing Service Needs
LGBTQ+	Focus groups with the LGBTQ+ community highlighted concerns for LGBTQ+ individuals experiencing homelessness. The most frequently discussed need was for safe shelters and transitional housing, with an emphasis on safe environments for transgender individuals.
Seniors and people with disabilities	A need for housing for seniors and persons with disabilities was mentioned in nine out of 10 community forums and multiple focus groups. The most commonly specified needs were for affordable housing and housing that meets the access needs of seniors and persons with disabilities, including accessible housing for families with children who have disabilities. Some individuals commented that they perceived ageism on the part of some landlords and are afraid to ask for modifications to units for fear of eviction or displacement.
Immigrant communities	Immigration status was mentioned as a barrier to obtaining housing or other services. Specifically, participants noted that for individuals/families that are undocumented, it is more difficult to find housing, and there are rental assistance programs and emergency assistance/funds for which they are not eligible.
Persons living with HIV	Persons living with HIV and HIV providers pointed out several characteristics that can improve the housing environments for persons living with HIV, including safety, quiet, personal outdoor space, having a liaison between building management and tenants, and management being respectful and knowledgeable about HIV.
Transitional Age Youth (TAY)	Community members in seven of the 10 forums raised a need for more youth services. In terms of housing, they recommended affordable housing assistance for transitional age youth (TAY), particularly for homeless TAY and TAY who are in school.
Residents in public and subsidized housing	These focus groups conveyed the highest number of needs out of all forums and focus groups. In these focus groups, the most commonly mentioned need was for mental health services, followed by needs for accessible transportation, employment, and food access. This group was the only forum or focus group in which food access was one of the five most frequently mentioned needs. Other top needs among participants included employment training, financial planning and education services, health and wellness services, senior and disability support, and overall knowledge of available services.
Individuals experiencing homelessness	By far the most frequently mentioned need was for case management. The next most frequently mentioned needs were for employment support and training, financial assistance including rental assistance and subsidies, and supportive housing.

Source: MOHCD Impediments Report 2020-2025

San Francisco has made meaningful progress in both expanding affordable housing production and identifying needs of a large set of vulnerable groups. However, as the preceding analysis shows, a substantial gap remains between existing housing supply and RHNA targets, and the impacts of that shortfall fall disproportionately on the lowest-income households. Furthermore,

the Impediments Report shows that residents with special needs have unmet housing needs, which was echoed in our conversations with a sample of community-based organizations.

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. The following recommendations focus on how the City can better leverage these insights to inform policy and investment decisions. Closing the identified gaps will ultimately require substantially increased resources to expand affordable housing production. Advancing a mix of the financing strategies discussed in Section 3 will be critical to meeting this need.

Equity Gaps and Opportunities Recommendations

The Board of Supervisors should:

4.1 Encourage staff to prioritize Extremely Low-Income (ELI) housing in funding allocations

There is not enough extremely low-income housing to meet the need. To address this gap, the City should assess opportunities to prioritize or dedicate new funding sources to these groups and their unique needs. This could include earmarking funds from the HTF, or creating an inclusionary “floor” that establishes that while moderate- and low-income units may fluctuate with economic viability, a certain number of extremely low-income units should be required. The City should continue prioritizing funding strategies that deepen subsidies for projects serving the lowest-income households. As discussed above regarding the need for more resources to meet the City’s affordable housing needs, the City and County of San Francisco should identify substantial funding sources and encourage policies that support a proportional development of extremely low-income units relative to the RHNA-identified need.

4.2 Request that staff create a formal framework to track progress in meeting equity goals

The MOHCD Impediments Report identifies important gaps for vulnerable groups in accessing affordable housing, reflecting community input as well as deeper research. However, the report is published only once every five years and lacks transparency regarding how specific actions were prioritized and executed. It is unclear how the gaps are determined, when the recommendation was accepted, when progress began to be made, or the length of the implementation timeline. Community groups express that they don’t know how impediments are being assessed or addressed. Making completed initiatives easier to track and inviting ongoing public review would help the City independently assess whether those actions were effective and identify areas that still require sustained or increased support.

To strengthen accountability, MOHCD should develop a formal, transparent framework for tracking and reporting progress on impediments at a more regular cadence. We suggest that MOHCD propose an approach to the Board of Supervisors to communicate its work and progress to the public that does not create a significant new reporting burden.

4.3 Request that staff prepare a follow up on recommendations with no or limited progress reported in the MOHCD Impediments Report and any other documents

As part of the previous recommendation, the City should request follow-up on incomplete impediments. In its analysis of housing impediments, MOHCD identified three areas where no action has been taken and two where documented efforts remain minimal. To ensure the City's strategic commitments are fully realized where appropriate, the City can request a memo summarizing what resources would be required to implement these outstanding action items.

4.4 Request Information from staff on resources needed to address population-specific impediments identified in MOCHD reporting

The MOHCD Impediments Report uses extensive community outreach to identify the needs of specific population groups, as detailed above in Exhibit 57. To assess how well the needs of these groups are being met and ensure that these insights are acted on, the Board of Supervisors should request a brief summarizing how well that group is being served, what resources would be required to improve outcomes, including benchmarks, how much funding would be required, and an implementation timeline. Women's unique affordable housing needs, particularly survivors of domestic and other forms of violence, and extremely low income households should be incorporated.