FILE NO. 240313 RESOLUTION NO.

[Calling for the Housing Authority to Initiate Requests to HUD to Fully Leverage "Faircloth-to-RAD" Program]

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

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

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

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

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

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

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

WHEREAS, HUD introduced the Faircloth-to-RAD option in 2021, and it is currently set to expire by September 30, 2024; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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