190501, 190495
items 10, & 11

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July 8, 2019

San Francisco Board of Supervisors
The Honorable Norman Yee, Board President
The Honorable Sandra Lee Fewer, Supervisor, D-1
The Honorable Catherine Stefani, Supervisor, D-2
The Honorable Aaron Peskin, Supervisor, D-3
The Honorable Gordon Mar, Supervisor, D-4
The Honorable Vallie Brown, Supervisor, D-5
The Honorable Matt Haney, Supervisor, D-6
The Honorable Rafael Mandelman, Supervisor, D-8
The Honorable Hillary Ronen, Supervisor, D-9
The Honorable Shamann Walton, Supervisor, D-10
The Honorable Ahsha Safai, Supervisor, D-11
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: **Agenda Items 10 and 11 – $600 Million Affordable Housing Bond**

Dear President Yee and Members of the Board of Supervisors,

We're at ***nearly $1 billion*** in Affordable Housing Bond spending across just four years ($910 million to be more exact).

There are a number of problems with the proposed $600 million Affordable Housing Bond that need to be fixed.

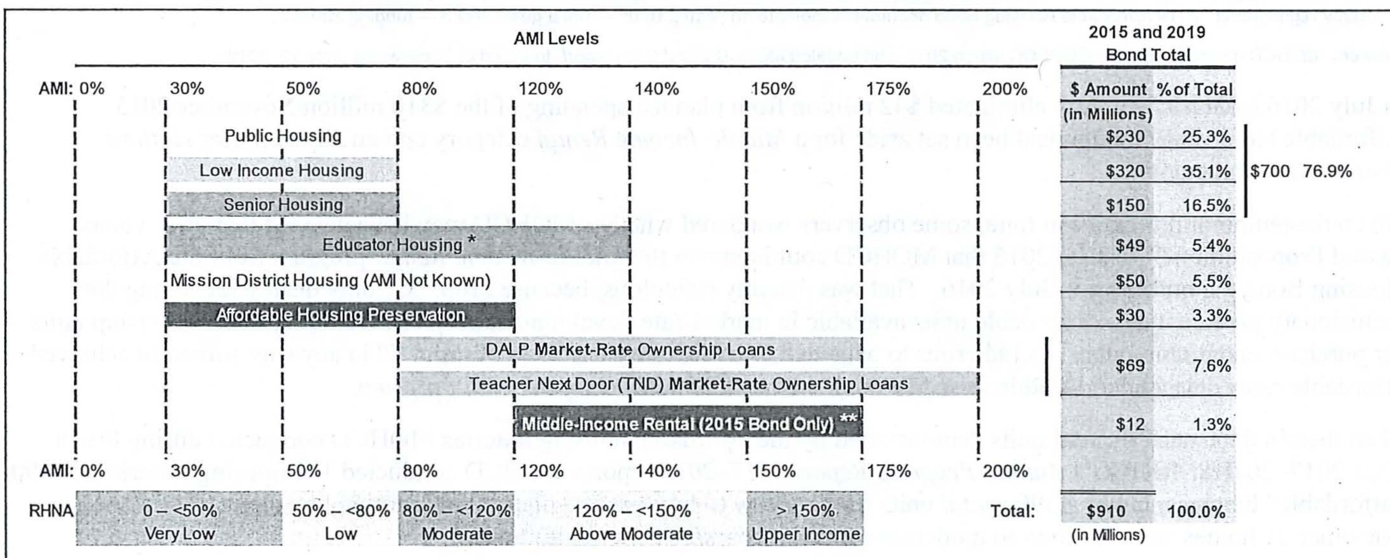
1. Error in Final 2019 MOHCD Bond Report

In both the June 13, 2019 updated *2019 Bond Report* and in a report to the Capital Planning Committee in May, MOHCD incorrectly asserts that 1,613 units of housing were (newly) produced, or preserved with the 2015 Housing Bond. That figure appears to be inflated by 7%, since MOHCD had reported to CGOBOC in May 2019 in its quarterly report dated March 2019 on progress on the 2015 Bond that just 1,501 units were produced or preserved (and even the 1,501 figure may be over-inflated by 390 Public Housing units that appear to be infrastructure projects — roads, sewers, etc. — rather than actual *net new housing* units or possibly units rehabilitated as replacement units). MOHCD may be relying on the number of units produced or preserved as its sole metric of bond success, but MOHCD appears to be fudging its data.

2. Change the Title of the Bond Measure

The proposed $600 million bond is titled an "*Affordable Housing Bond*," but as the graphic in Figure 1 illustrates fully 77% ($700 million) of the spending — combining the 2015 Bond and the proposed 2019 bond — is earmarked for low-income housing, including public housing, low-income housing, and senior housing for households earning less than 80% of AMI. Another 7.6 percent of the combined spending is for DALP and TND market-rate *ownership* units, that by definition, is not affordable housing but is instead market-rate housing.

Figure 1: Uses of the Combined November 2015 and November 2019 Housing Bonds



* Includes $29 million for ***Teacher Housing at Francis Scott Key*** site in 2015 Bond.

** Middle-Income Rental Units for ***Non-Teachers*** in 2015 Bond. $42 million planned for *Middle-Income Rental* and *Expiring Regulations* rental programs deleted July 2016.

Source: MOHCD *Bond Use Report* to Board of Supervisors June 13, 2019 (Combined use of November 2015 and Proposed November 2019 Affordable Housing bonds).

Since 84.5% of the combined spending is earmarked for low-income and below households and market-rate units, you should change the title of the bond measure to "***Low-Income and Market-Rate Housing Bond***," to reflect planned bond spending.

The data in Figure 1 combines the actual spending to date from the $310 million *Affordable Housing Bond* passed by voters in November 2015, and proposed spending categories for the November 2019 $600 million *Affordable Housing Bond.* Shown in more detail in Table 1, below.

3. Change Spending of Bond to Fund Middle-Income Rental Housing

Mayor Ed Lee observed in *Time* magazine in January 2014 that San Francisco has done a terrible job investing in anything other than low-income and public housing, indicating the City has done next to nothing to produce middle-income housing:

> "*Our city did pretty good in investing in low-income housing and trying to do as much as we could for the homeless. That was where our sentiments were. I don't think we paid any attention to the middle class. I think **everybody assumed the middle class was moving out.***"

As Table 1 further illustrates, when the 2015 Bond uses are combined with the proposed November 2019 Bond uses, only $12 million — 1.3% of the total $910 million in housing bond spending — has been allocated for middle-income rental households earning between 120% and 175% of AMI, and that was ***only*** in the *2015 Affordable Housing Bond.*

Table 1: Uses of the Combined November 2015 and November 2019 Housing Bonds

	November 2015 Bond			November 2019 Bond			Total	
	Amount	% of 2015 Bond	AMI	Amount	% of 2019 Bond	AMI	Amount	% of Total
	(Amounts in Millions)							
1 Public Housing	$ 80	25.8%	Unknown	$ 150	25.0%	Up to 80%	**$ 230**	**25.3%**
2 Low-Income Housing	$ 100	32.2%	Up to 80%	$ 220	36.7%	Up to 80%	**$ 320**	**35.1%**
3 Senior Housing				$ 150	25.0%	< 30% and up to 80%	**$ 150**	**16.5%**
4 Educator Housing: **2015 Bond** Includes 43rd & Irving Teacher Housing Project	$ 29	9.3%	80% – 200%	$ 20	3.3%	< 30% and up to 140%	**$ 49**	**5.4%**
5 Mission District Housing	$ 50	16.1%	Unknown				**$ 50**	**5.5%**
6 Affordable Housing Preservation				$ 30	5.0%	30% – 120%	**$ 30**	**3.3%**
7 Middle-Income Housing: DALP and TND Maket-Rate Ownership Loans	$ 39	12.7%	80% – 200%	$ 30	5.0%	80% – 175% DALP 80% – 200% TND	**$ 69**	**7.6%**
8 Middle-Income Housing: Rental Housing (Other Than Teachers) *	$ 12	3.9%	120% – 175%				**$ 12**	**1.3%**
Total (in millions):	**$ 310**	**100.0%**		**$ 600**	**100.0%**		**$ 910**	**100.0%**
							(in millions)	

* $42 million for *Middle-Income Rental* and *Expiring Regulations Preservation* rental programs deleted July 2016, following Prop. "C" passage June 2016.
Yellow Highlighting: 2019 Affordable Housing Bond documents indicate an "estimated" — not a guaranteed — funding amount.

Source: MOHCD quarterly report to CGOBOC March 2019, and updated MOHCD *Bond Use Report* to Board of Supervisors June 13, 2019.

In July 2016 MOHCD abruptly eliminated $42 million from planned spending of the $310 million November 2015 Affordable Housing Bond that had been set aside for a *Middle-Income Rental* category and an *Expiring Regulations Preservation* category.

Given the temporal proximity in time, some observers wondered whether MOHCD may have decided that after voters passed Proposition "C" in June 2016 that MOHCD could remove the *Middle-Income Rental* program from the Affordable Housing Bond a month later in July 2016. That was patently ridiculous, because Prop. "C" only dealt with setting the inclusionary percentages of affordable units available in market-rate development projects, including both ownership units for purchase and rental units. It's ludicrous to believe the inclusionary aspects of Prop. "C" in any way solved or achieved affordable *rents* designed to be addressed through the bond's *Middle-Income Rental program.*

Then there's the need for rental units demonstrated by the affordable housing lotteries MOHCD conducted during Fiscal Year 2017–2018. MOHCD's *Annual Progress Report 2017–2018* reports MOHCD conducted 101 housing lotteries for 490 "affordable" homes, including 399 *rental* units for very-low to low-income households earning less than 80% of AMI. The other 91 homes were for low- to moderate-income *ownership* (not rental) units.

There were 42,364 applications for the 399 rental units — averaging 106 applications per unit — despite the City's focus on funding low-income housing. Unfortunately, MOHCD did not indicate whether any of its 101 housing lotteries were for middle-income units to help estimate the need.

4. Require Stronger Compliance by MOHCD

Given MOHCD's track record of having unilaterally re-allocated planned uses of the 2015 Affordable Housing Bond, the Board of Supervisors needs to strengthen oversight of MOHCD on the proposed 2019 housing bond.

In particular, before MOHCD is allowed to 1) Re-allocate any portion of the $15 million in *Senior Housing* funding category reserved for neighborhoods with limited affordable housing production or units removed from protected status if that $15 million isn't allocated within four years, and before MOHCD is 2) Allowed to re-allocate up to 50% of the $20 millon of the *Educator Housing* funding category set-aside to the *Low-Income Housing* category if is not allocated within four years, the Board of Supervisors should mandate that MOHCD be required to obtain Board of Supervisors approval during a public hearing ***before*** it is allowed to re-allocate that approximate $25 million in funding.

I submit these recommendations as someone who earns approximately 54% of AMI.

Respectfully submitted,

Patrick Monette-Shaw, *Columnist, Westside Observer* Newspaper

cc: Angela Calvillo, Clerk of the Board
Lee Hepner, Legislative Aide to Supervisor Peskin
Tim Ho, Legislative Aide to Supervisor Safai
Angelina Yu, Legislative Aide to Supervisor Fewer
Daisy Quan, Legislative Aide to Supervisor Mar
Percy Burch, Legislative Aide to Supervisor Walton
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Erica Maybaum, Legislative Aide to Norman Yee
Jarlene Choy, Legislative Aide to Norman Yee