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Community Stabilization Policy & Program Inventory



Acknowledgments

Mayor London Breed

Board of Supervisors

Sandra Lee Fewer, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Gordon Mar, *District 4*

Vallie Brown, *District 5*

Matt Haney, *District 6*

Norman Yee, *District 7*

Rafael Mandelman, *District 8*

Shamann Walton, *District 10*

Ahsha Safai, *District 11*

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Rich Hillis, *Commissioner*

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Kathrin Moore, *Commissioner*

Dennis Richards, *Commissioner*

City Agency Working Group

Brian Cheu, *Mayor's Office of Housing and Community Development*

Charles MacNulty, *Mayor's Office of Housing and Community Development*

David Gray, *San Francisco Public Utilities Commission*

Dylan Schneider, *Department of Homelessness and Supportive Housing*

Jaren Bonillo, *Arts Commission*

Jeff Buckley, *Mayor's Office*

Jonah Lee, *Mayor's Office of Housing and Community Development*

Lisa Pagan, *Office of Economic and Workforce Development*

Meg Wall Shui, *Department of Public Health*

Miriam Chion, *San Francisco Planning*

Regina Dick-Endrizzo, *Office of Small Business*

Robert Collins, *Rent Board*

Planning Department

John Rahaim, *Director of Planning*

AnMarie Rodgers, *Director of Citywide Planning*

Adam Varat, *Deputy Director of Citywide Planning*

Miriam Chion, *Community Equity & Housing Programs Manager*

Claudia Flores, *Community Equity Team Manager*

Gina Simi, *Communications Manager*

Andrea Nelson, *Project Manager & Senior Community Development Specialist*

James Pappas, *Senior Planner*

Kimia Haddadan, *Senior Planner*

Paolo Ikezoe, *Senior Planner*

Svetha Ambati, *Planner*

Reanna Tong, *Planner*

Amiel Leano Atanacio, *Policy and Research Intern*

Gabriela Navarro, *Policy and Research Intern*



**San Francisco
Planning**



MAYOR'S OFFICE OF
**HOUSING &
COMMUNITY DEVELOPMENT**



**San Francisco
Rent Board**



**Department of Homelessness
and Supportive Housing**



**Department of
Public Health**



**San Francisco
Water Power Sewer**
Services of the San Francisco Public Utilities Commission

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Guide to Inventory

How to Review the Summaries

The report provides City agencies, decision-makers, and the public with summaries of the City's existing policies and programs to prevent displacement and corresponding potential ideas for consideration for enhancement as well as some additional new ideas for consideration. The document is a resource to make strategic decisions to stabilize our vulnerable populations as the city changes. The program summaries and opportunities are available online.

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their potential reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations in order to pursue them.

The Inventory includes 22 policy and program summaries, organized in the following categories:

1. Tenant Protection and Housing Stabilization includes rent stabilization and eviction protection; tenant protection services; lottery preference programs; homeownership stabilization and opportunity; single resident occupancy hotel protections; short-term rental regulations; condominium conversion restrictions; stemming the loss of unauthorized units (UDUs); and the small site program.
2. Affordable Housing Production and Preservation includes 100 percent affordable housing development; public housing preservation; Section 8 housing; inclusionary housing program; HOMESF; development agreements; accessory dwelling units (ADUs); and homelessness prevention and supportive housing.
3. Cultural Stabilization includes arts and culture protection and the cultural district program.
4. Economic Development includes business retention and stabilization; commercial district planning and management; and, workforce development.

Each summary includes:

- Background – a description of the program or policy
- Key Trends – data gathered on the program or policy, such as cost or demographics of people served, and identified issues
- For Future Consideration – initial identified ideas to enhance the purpose and reach of the program or policy and to introduce new tools
- Resources – information to learn more about the program or policy

Legend

Each idea for consideration is accompanied by the following information in effort to provide context and to better compare the idea:

Type of Response:

- Urgent/immediate - crisis response services
- Early intervention – services and programs that respond in early phases of potential displacement
- Mitigation – policies and programs that mitigate displacement and help stabilize communities
- Prevention – policies and programs that help prevent displacement

Type of Task:

- Funding – grants or contracts
- Service – direct service for the public
- Data – data research and analysis
- Regulation – new rule or legislative structure
- Policy implementation – plan and policy implementation

Resource (implementation needs):

- Generally only staff time would be required
 - Generally only staff time and some program funding would be required
 - Extensive funding (the kind typically required for capital investments) and staff time would be required
- More information required

Complexity:

- Less Complex – generally no or limited legislation and/or an existing program, and one agency involved
- Medium – generally some legislation and/or some change of an existing program, and two to three agencies involved
- Complex – generally major legislation, and/or new program required, and more than three agencies involved
- More information required

Timing:

- Short Term: 1 year or under
- Medium Term: 1 to 5 years
- Long Term: > 5 years

Geographic scale:

- Neighborhood: applies to specific neighborhoods or at the neighborhood level
- Citywide: applies citywide
- Statewide: applies statewide

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Tenant Protection and Housing Stabilization

Introduction

Protecting tenants, especially those vulnerable to displacement, is generally understood to be a more immediate and short-term approach to maintaining affordable housing in San Francisco. This strategy helps tenants to remain in their communities and San Francisco, mitigating the pressures of displacement.

While the tenant protection approach keeps tenants from displacement, it must be coupled with ensuring affordable housing is available for tenants to live in. Preserving existing affordable units stabilizes communities by preventing the loss of affordable housing, ensuring that low- and moderate-income residents can remain in San Francisco even as high-income residents migrate into communities.

This section includes a summary of the following programs: tenant protection and housing preservation, rent stabilization and eviction protection, Tenant Protection Services, lottery preference programs, homeowner stabilization and opportunity, Single Room Occupancy Hotel protections, short-term rental regulations, condominium conversion restrictions, stemming the loss of legalization of unauthorized dwelling units (UDUs), and the small sites program.

Funding for Tenant Protection and Housing Stabilization Programs

The Mayor's Office of Housing and Community Development (MOHCD) allocates funding for tenant protection services and homeownership opportunity programs. Services for tenants include legal advice or representation, mediation, rental assistance, and tenant education and counseling. These services are available to all tenant households, not just deed-restricted affordable housing tenants.

The following chart describes the annual funding amounts for MOHCD's tenant protection services. Funding sources include local sources, such as the Housing Trust Fund and federal sources, such as Community Development Block Grant (CDBG) and the Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD). Since 2014, City funding for these services has increased threefold and funding has come primarily from a local source. The City competitively awards these funds to community-based organizations that provide tenant protection services. There is a need to sustain or expand consistent, local affordable housing funding.

Rent Stabilization and Eviction Protection

The main purpose of rent stabilization (also known as rent control) is to guarantee secure housing at reasonable rents, and to specifically protect tenants. Studies have proven that rent stabilization reduces displacement in low-income households and senior households.¹ However, rent stabilization may in some circumstances have other unintended impacts including placing a burden on small property landlords or resulting in vacant units.

Background

What is Rent Stabilization?

Established in 1979 and administered by the Rent Board, the Rent Ordinance restricts annual rent increases, ensures tenants can only be evicted for “just causes,” and restricts evictions of tenants occupying a qualifying unit built prior to June 13, 1979. The San Francisco Rent Ordinance also applies just cause provisions to all rental units. Once tenants vacate the rent-stabilized unit, landlords can raise its rent to market rate (otherwise known as vacancy decontrol). Single-family homes and condominiums are not subject to rent stabilization due to Costa-Hawkins. Unless the single-family home or condominium meets Rent Ordinance requirements², it is not rent-stabilized. While residential hotels built before 1979 are rent-stabilized, residents who have not established tenancy (continuous 32 days of rent) are not protected by rent stabilization protections. Other building types such as dormitories, hospitals, monasteries, and nunneries are also not subject to rent stabilization.

Why is Rent Stabilization Important?

Due to limited annual rent increases, in San Francisco, rent-stabilized units offer an increased level of affordability for long term tenants and provide some additional protection against evictions without a just cause. Each year, landlords of a rent-stabilized unit can increase rent based on inflation. Additionally, landlords can pass on a portion of costs on to tenants through rent increases such as an increase in utility costs, recently adopted bond measures, the “Rent Board Fee,” capital improvements, pass-through operating and maintenance costs.

Costa-Hawkins Rental Housing Act

The Costa-Hawkins Rental Housing Act (“Costa-Hawkins”) is a 1995 California state law that prohibits municipal rent increase limitations on certain units, allows rent increases on subtenants following departure by tenants of rent-stabilized tenancies, and prohibits “vacancy control” — the regulation of rental rates on units that have been voluntarily vacated by the previous renters at an amount other (presumably lower) than what the open market would bear. The Act was amended in 2001 to close a loophole related to condominium conversion, where owners of apartment buildings obtained

¹ <https://web.stanford.edu/~diamondr/DMQ.pdf>

² Rent Ordinance, <https://sfrb.org/rent-ordinance>

certificates for conversion, to avail themselves of the state law exemption for rent stabilization, without selling any of the erstwhile apartments as condominiums.

Case Study

The Rent Ordinance allows landlords to increase rent annually with a percent of inflation (which varies but is usually around 1.6 percent) but allows landlords to petition the Rent Board to increase rent above the rental cap if the cost of operations exceeds the amount. These petitions allow landlords to “pass-through” the increased cost onto tenants, legally increasing rent by more than the annual cap. In one case, Veritas Investments had purchased a building and passed on the cost of the payments they had to take on for the loan to buy the building and the increased property taxes based on the new purchase price. The loophole in pass-through legislation for tax charges and purchase debt will be closed by legislation introduced by Supervisor Sandra Lee Fewer and passed by the Board in June 2018.³

Why is Eviction Protection Important?

Eviction controls provide stability and security to tenants, particularly those most vulnerable, in rent-stabilized units and whose rents are regulated by a government agency.⁴ To evict a tenant from a rental unit covered by the Rent Ordinance, a landlord must have a “just cause” for the eviction. There are 16 specific “just causes” for eviction, and they fall into two categories: at-fault and no-fault. For rent-stabilized units, one of the most common no fault evictions is Owner Move-In (OMI) evictions. Landlords evicting tenants for no-fault reasons are required to pay relocation payments. Those payments can be higher for elderly, disabled or families with children in the household. Landlords may offer a buyout to tenants to voluntarily vacate a unit.

In recent years, two major amendments have further expanded the eviction controls: one allowing the addition of roommates as well as restricting rent increases for five years after certain evictions (such as OMI, capital improvements, among others); and a second adding reporting requirements for landlords after an OMI eviction and allowing tenants’ rights organizations to sue for wrongful evictions.

Key Definitions

‘At-fault’ evictions cite the tenants’ actions (such as a breach of lease or creating a nuisance, etc.) as justification for their eviction.

‘No-fault’ evictions allow landlords to take possession of their property from the tenant without any fault of the tenant. The two most common types of evictions under this broad category are the Ellis Act and the Owner Move-In (OMI).

³ HYPERLINK "<https://sfrb.org/sites/default/files/Document/What%27s%20New/Ord.%20132-18%200%26M%20Amendments.pdf>" <https://sfrb.org/sites/default/files/Document/What%27s%20New/Ord.%20132-18%200%26M%20Amendments.pdf>

⁴ Such as Section 8 vouchers, Section 8 certificate holders and the HOPWA program, which provides Housing Opportunities for Persons with AIDS.

Ellis Act evictions landlords have the unconditional right to evict tenants to “go out of business” by removing all the units in the building from the rental market by giving tenants a 120-days withdrawal notice and prohibits the unit from being rented for 10 years.

Owner Move-In evictions allow owners to evict the tenant for the owner to live in the unit as their principal place of residence. It is restricted to one OMI per building.

Relative Move-In evictions allow a landlord to evict a tenant if a relative is going to move in and live there. Landlords must already live in the building or seek simultaneous possession of a unit in the building. RMI's have no restrictions on number per building.

Key Trends

Rent Stabilization

- Approximately 40 percent of all housing in San Francisco and more than half of the renter-occupied housing stock are rent-stabilized. Rent-stabilized units make up approximately 170,000 units of the city's total 392,038 housing units.^{5 6}
- The rent-stabilized housing stock serves a broad range of incomes.
- In 2015, 29 percent of renters had tenure of 10 or more years in the same unit.
- San Francisco's older housing stock has higher vacancy rates than new construction housing, with approximately 10 percent of San Francisco's pre-1939 units vacant; compared to lower rates (7 percent) for units built between 1940 and 1979 and those built since 1980.⁷

Eviction Protection

- Between January 2016 and July 2019, 8,715 eviction notices were filed with the Rent Board.⁸
- In the same time frame, predominantly low-income census tracts received the highest number of eviction notices: the Ingleside (including Park Merced), Richmond, Outer Mission, Visitacion Valley, and Mission Planning Districts experienced the highest number of no-fault eviction notices; Ingleside, Northeast, Downtown, and Mission Planning Districts experienced the highest number of at-fault evictions during that time period.
- The Rent Board provides services for renters and community organizations including: answering approximately 30,000 calls for rent and eviction control information per year, 2,000 tenant petitions and 5,000 total filings.

⁵ Rent stabilized units are estimated using the American Community Survey (ACS) estimates for renter-occupied units in multifamily buildings constructed before 1980 (Housing Needs and Trends Report, 2018).

⁶ In addition to these units, there are an unknown number of units lacking a permit, plus units with partial controls such as those under Section 8 voucher programs that are not included in the 170,000-unit count.

⁷ Housing Needs and Trends Report, 2018

⁸ This number of total eviction notices is likely far below the total number as the Rent Board does not collect non-payment of rent eviction notices and illegal evictions (ones conducted without legal authority or an involved agency) are not captured.

- Utility pass through, operating and maintenance, and capital improvement petitions increased from 2016-2017 fiscal year and 2017-2018. Capital improvement petitions were most frequent in the Tenderloin and Inner Richmond.⁹

Reported and Measured Evictions

- Most unlawful detainers, a special and expedited court proceeding to initiate an eviction, are for Nonpayment of Rent cases.¹⁰
- Eviction notices do not provide an in-depth analysis on evictions, since not all eviction notices result in evictions, not all eviction notices are filed with the Rent Board, and not all evictions are done lawfully.

Unreported and Unmeasured Evictions

- Evictions from subsidized housing programs are not tracked by the Rent Board.
- The most common type of “just cause” eviction is nonpayment of rent. However, nonpayment of rent cases are not required to be filed with the Rent Board, therefore these are undercounted.¹¹
- Nonpayment of rent includes nonpayment of utilities when utilities are split across units based on a proportional share that is passed along to tenants and includes a fee (Ratio Utility Billing Systems, or RUBS). If the tenant does not pay the company’s fee, of which they are sometimes not aware, the property management company considers this nonpayment of rent and initiates a case.¹²

What’s happening now to strengthen rent stabilization and eviction protections?

Assembly Bill 1482 was approved by the State legislature in September 2019 and signed into law by the Governor in October 2019. The law caps yearly rent increase at 5 percent plus the rate of inflation and includes just cause provisions. The law would not apply to housing built within the last 15 years, single-family homes not owned by corporations or trusts, and duplexes where the owner lives in one of the units. The law sunsets in 2030. On November 2018, a state ballot measure (Proposition 10) proposed to repeal the Costa-Hawkins Act, which restricts local rent control laws, was defeated despite strong support from many tenants’ rights organizations.

On June 5, 2018, the Board of Supervisors passed an ordinance amending the Administrative Code to prohibit landlords from seeking rent increases on existing tenants due to increases in debt service and

⁹ Rent Board

¹⁰ An Unlawful Detainer action is a special and expedited court proceeding to evict someone from the place where they live. In San Francisco, a residential landlord must have a “just cause” reason as the dominant motive for pursuing an eviction. Prior to filing an Unlawful Detainer complaint with the court, the landlord must serve the tenant with a notice and wait for the notice to end without the tenant remedying the problem cited in the notice.

¹¹ Eviction Defense Council (EDC)

¹² MOHCD. San Francisco’s Unstudied Evictions: Community Reflections and Recommendations.

property tax that have resulted from a change in ownership or from seeking rent increases due to increased management expenses unless they are reasonable and necessary.¹³ Prior to the passage of AB 1482, the Committee to House the Bay Area (CASA) proposed, among other recommendations, a region-wide rent cap that limits annual increases in rent to a reasonable amount.¹⁴

In response to a request from Supervisor Fewer, the City's Budget and Legislative Analyst prepared a policy analysis report to study the cost to creating, operating, and maintaining a rental registry in San Francisco.¹⁵ The report details the cost, opportunities, and resources needed to have a rental registry at multiple scales.

The Board of Supervisors is proposing placing a tax on vacant housing and storefronts on the November 2019 ballot. The City of Oakland is implementing a vacancy tax that applies to residential, commercial, and empty lots that are not in use for more than 50 days in a calendar year.

On August 7, 2019, Governor Gavin Newsom proposed to dedicate \$331 million to fund eviction protection and foreclosure relief for renters.

Issues with Rent Stabilization and Eviction Protection

The City does not have a list of all rent-stabilized units. This creates issues with monitoring rent-stabilized units and makes communication about rights and services difficult.

The Rent Control Ordinance does not provide for permanently affordable housing. Units remain affordable if a tenant is living in the unit long-term, but the landlord can raise the rent to market value as soon as the unit becomes vacant. Over time given the high rents in San Francisco, there is a loss of affordable rent-stabilized units from the long-term housing market. The purpose of rent stabilization is to provide a certain amount of affordable housing for lower and middle-income residents. However, once a tenant moves into a rent-stabilized unit, the annual rent increase is capped for that unit regardless of any changes in the household's income or the household's needs.

Some property owners of rent-stabilized housing units may have limited resources to maintain properties that require substantial upgrades. Some may pass on the cost of improvements to tenants by way of rent increases. Tenants are sometimes unaware of their rights and the options available regarding evictions and renting a housing unit. The City relies on the support of community organizations to disseminate information and to support tenants. The current Rent Board is split evenly between appointed tenant advocates and landlord advocates, which provides a balanced

¹³ <https://sfbos.org/sites/default/files/o0132-18.pdf>

¹⁴ <http://www.tenants-together.org/updates/casa-compact-needs-major-changes-protect-tenants>

¹⁵ <https://sfbos.org/sites/default/files/BLA.RentalRegistry.041619.pdf>

representation, but it can create a political impasse when trying to take a stance on a controversial issue.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their potential reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Preserving Affordable Housing.**
 - **Small Sites Program expansion.** *Additional information on this can be found in the Small Sites Program summary.*
- **Housing inventory.**
 - In San Francisco, the Rent Board charges a fee to all rent-stabilized units and maintains a list of properties and levies the fee as part of the property tax.¹⁶ The City could build on this existing list to create a registry of rent-stabilized units and gain insights into rent and decontrol of the unit over time. Registry may also include and levy a fee on all rental units regardless of rent-stabilized status. [Response: prevention, mitigation; Task: data, regulation, policy implementation; Resource need: ●●●; Complex; Long term; Partners: Planning Department, MOHCD, Rent Board, Office of Short-Term Rentals, Assessor's Office, community partners; Citywide]
 - **Benefit:** A registry could provide policy makers and advocacy organizations greater insight into tenant demographics, relationship to existing housing, and housing unit occupancy status. This additional data could give service providers the information needed to expand their tenant protections services.
 - **Challenge:** Requires substantial funding and resources, may be challenging to collect information and keep it up to date, and increases reliance on self-reported data. May potentially place added pressure on tenants to provide information every time they enter a new contract or renew an existing one.
- **Improvement of rent control data collection**

¹⁶ <https://sfrb.org/topic-no-013-rent-board-fee>

- **Rent stabilized unit data tracking.** The City could track data in a housing inventory to help identify and proactively inspect rent-stabilized units with frequent complaints. Equipped with this information, the City could determine additional proactive measures to address habitability issues to help preserve rent-stabilized units, such as proactive inspection of units with a high number of complaints. [Response: urgent/immediate, early intervention; Task: data, regulation; Resource need: •••; Complex; Long term; Partners: DBI, DPH, Fire Department, Rent Board, community partners; Citywide]
 - **Benefit:** Tracking these complaints to various City agencies in an integrated portal can help all agencies determine whether lack of maintenance in the unit could be counted as a code or public health violation.
 - **Challenge:** Would require significant funding and additional staff time, including expanding inspection teams across departments. The cost of maintenance and/or improvements may be passed onto the tenant through passthrough-related rent increases, which is currently legal in some cases but is a burden to tenants.
- **Pass through data collection.** With additional resources, the Rent Board could analyze pass through data collected. Tenant advocates reported that general bond pass throughs are increasing year over year.¹⁷ [Response: mitigation and prevention, Task: data; Resource need: •; Less complex; Long term; Partners: MOHCD, Rent Board, community partners; Citywide]
 - **Benefit:** Analyzing the dollar amount of pass throughs that cannot be waived by hardship petitions may help shed light on the impact of pass throughs on tenants.
 - **Challenge:** Requires funding and resources to collect the passthrough information and to analyze it. Passthrough-related rent increases help property owners afford to make improvements, and there may be some small property owners or mom-and-pop landlords who cannot afford to make these improvements otherwise if changes are made.
- **Assistance for capital and operating expenses.** Landlords could receive assistance for pass-throughs related to capital and operating expenses. Service providers mentioned the possibility of further limiting the amount of rent increase allowed due to pass throughs. If many cases of pass throughs and rent increases are attributed to necessary capital improvements, increased management expenses, or increase in property taxes, the City could explore developing financial assistance

¹⁷ MOHCD, San Francisco's Unstudied Evictions: Community Reflections and Recommendations.

options or other alternatives to help landlords avoid resorting to passing all the cost to tenants through rent increase. [Response: mitigation and prevention; Task: regulation; Resource need: ••; Complex; Long term; Partners: MOHCD, Rent Board, community partners; Citywide]

- **Benefit:** Financial assistance could help alleviate financial burden of capital improvements, maintenance, or operating costs being passed to tenants.
- **Challenge:** Would require funding and resources to collect the passthrough information and to analyze it. Passthrough-related rent increases help property owners afford to make improvements, and there may be some small property owners or mom-and-pop landlords who cannot afford to make these improvements otherwise.

- **Targeted tenant education and outreach.** *Additional information on this can be found in the Tenant Protection Services summary.*

- **Strengthen local government authority to provide tenant protections.** The City could work with other cities and State legislature to reform Costa-Hawkins to allow local jurisdictions to adjust local rent stabilization policies to meet their challenges. [Response: mitigation and prevention; Task: regulation and policy implementation; Resource need: ••; Complex; Long term; Partners: Planning, Rent Board, state senators, community partners; Statewide]

- **Benefit:** This could allow San Francisco to expand its rent stabilization regulations to cover a broader proportion of the housing stock or implement regulations on vacancy control, where existing rent-stabilized units may be able to remain at an affordable rent despite vacancy of the unit.
- **Challenge:** Proposition 10, on the California ballot in November 2018, proposed to repeal Costa-Hawkins and was defeated. Passing a similar reform or repeal soon may be difficult as well. While reforming Costa-Hawkins could help expand the number of rent-stabilized units in the city, it may not impact a significant number of vulnerable households or communities who have already left the City since rental prices have increased.

- **Major structural changes to local rent stabilization policy.**

- **Vacancy fee on unoccupied rent-stabilized units.** To incentivize property owners to rent out vacant rooms, a fee could be charged on vacant properties or rooms that remain unoccupied for a period such as 90 days or more in a year.

[Response: mitigation Task: data and regulation; Resource: More Information required; complexity: More information required; Long term; Partners: MOHCD, Rent Board, community partners; Citywide]

- **Benefit:** A fee could encourage property owners to rent out rooms instead of leaving them vacant.

- **Challenge:** Requires funding and resources, including expanding inspection or enforcement teams to find unreported vacancies. Small property owners demonstrating good faith efforts of finding renters may be negatively impacted.

Resources

- San Francisco Rent Ordinance: <https://sfrb.org/rent-ordinance>
- Eviction Protection Resources. Online: <https://www.sfhaf.org>

Tenant Protection Services

In 2008, San Francisco voters passed Proposition M, a proposition that prohibits landlords from harassing tenants through certain actions, such as abusing the right of entry to a unit, threatening or attempting to coerce a tenant to move, or denying housing services or utilities. In response, the City began funding and partnering with nonprofit organizations to tackle evictions at all stages, from preventative steps such as tenant and landlord education to more intensive interventions when tenants are facing eviction.

Background

What are Tenant Protection Services?

The Mayor's Office of Housing and Community Development's (MOHCD) Community Development Division funds a variety of tenant protection services, including legal services, tenants' rights counseling and education, mediation, housing stability case management, and direct financial assistance (rental assistance) for one-time back rent or ongoing need-based rent subsidies.

Multilingual and multimedia community-driven public information campaigns disseminate information through ads in transit shelters and other public spaces in neighborhoods, broadcasted in radio, print, and digital format with a focus on neighborhoods experiencing highest displacement rates. Know-Your-Rights Education addresses both tenants and landlord rights and responsibilities. Tenants in the early stages of eviction, experiencing landlord harassment, or seeking to address habitability issues can receive one-on-one counseling. Alternative dispute resolution (ADR) services are provided to tenants, landlords, property managers, and other rental housing stakeholders, with a focus on quickly deescalating tensions that can lead to an eviction or other forms of residential instability.

Rental assistance, either on an ongoing or one-time basis, is offered to tenants who are either severely rent burdened and struggle to make ends meet or who are facing an unexpected crisis and cannot make rent, respectively. Ongoing rental assistance can also deepen the affordability of City Affordable Rental Opportunities when provided to applicants who would not otherwise income-qualify due to their low incomes.

Why is Tenant Protection Services Important?

These services equip tenants with the resources to understand and assert their rights.

Key Trends

- Partnering organizations that receive funding for tenant protections services are, but not limited to, Eviction Defense Collaborative, Bay Area Legal Aid, Q Foundation, Tenderloin Housing Clinic, Housing Rights Committee of San Francisco, and Causa Justa: Just Cause.

- Eviction Defense Collaborative largely provides services to residents of the Tenderloin, SoMa, Inner Mission, and Bayview.¹⁸ Tenderloin Housing Clinic's clients mainly come from the Haight, Western Addition, Sunset, and Richmond neighborhoods.
- Eviction Defense Collaborative estimates that 90 percent of households who respond to unlawful detainers receive EDC assistance.¹⁹

What's Happening Now to Enhance Tenant Protection Services?

San Francisco voters passed Proposition F on June 5, 2018, which established a policy that all residential tenants facing eviction have a right to full-scope legal defense. This ordinance went into effect on July 11, 2019 and MOHCD is overseeing its implementation.

Supervisor Sandra Fewer introduced legislation in 2018 to disallow passthroughs and prevent real estate companies from passing on cost of loan and property taxes the building to the tenants. One of the legislation's intentions is to stop speculators from buying buildings at high-priced loans, passing through these costs to tenants in the hopes of eventual eviction, and bringing affordable rent-stabilized units to high market rate rents.

Issues Regarding Tenant Protection Services

The City relies on eviction notice data to understand eviction trends in the city. However, this data is not complete – certain eviction notices are not always reported, some eviction notices are resolved in court, whether the eviction notice results in an eviction is unknown, and the extent of unlawful evictions is unknown.

Tenants are often at a disadvantage in buyout situations - they do not always know their rights to stay in the home or that they can negotiate the amount. There is no minimum buyout amount unless the household includes seniors or people with disabilities. Buyouts are not always recorded and an enforcement mechanism to ensure that landlords report buyouts does not exist, despite the requirement by the Rent Board.

Evictions generally increase when the market is in its upswing and decrease when the economy is in recession. However, there is a marked increase in "low-fault" evictions (breach of lease, illegal use, failure to renew lease, unapproved subtenant, etc.) when the economy is booming.

Wrongful evictions still occur, especially where enforcement is not easy in situations such as wrongful owner move-in (OMI), capital improvement, and soft story retrofit evictions. Every OMI eviction is not closely monitored to ensure that the owner is living in the unit as intended. Capital improvements and retrofits and related rent increases may lead to eviction. Tenants living in illegal units may be displaced if the units cannot be brought up to code, though they have tenancy rights. Undocumented immigrants,

¹⁸ <http://evictiondefense.org/about/who-we-serve/>

¹⁹ *Id.* At

elderly, disabled, and tenants living in boarding homes, in hazardous housing, or in units with a master tenant are especially at risk of eviction; these households tend to be unaware of assistance opportunities.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Eviction-Related Data Collection and Sharing**

- **Eviction data collection and sharing.** The City and partnering organizations currently have a system in place to collect data on eviction notices, but not the actual evictions. Data collection from the court system could be enhanced by including comprehensive data on case type and eviction notice outcomes. [Response: mitigation, early intervention; Task: data; ••; More information required; Short term; Citywide; Partners: MOHCD, Rent Board, Planning, community partners]
 - **Benefit:** Without this data, it is difficult to determine what portion of eviction notices lead to the eviction of tenants. The Rent Board could also have access to DBI and Planning Department data to understand relationships between permits and evictions.
 - **Challenge:** Requires funding and resources, and collaboration with courts to establish reporting on proceedings. Court data on case management could be used as a screening tool by landlords, thus impacting prospective tenants from obtaining housing. Data should be confidential to assist in improving eviction preventions services without compromising tenants housing prospects. May require State law revisions to enact. Data may still not provide insights into full picture of eviction outcomes.
- **Prior evictions data on Property Information Map (PIM).** Service providers suggested that including property evictions data on the City's Property Information Map would be useful for the public, prospective tenants, and City staff. This entails several key considerations, including the lack of certain types of evictions data and the capacity for the Rent Board or other evictions data collectors to provide the Planning Department with this information. [Response: mitigation; Task: data; ••; Complex; Long term; Citywide; Partners: Planning Department, Rent Board, community partners]

- **Benefit:** Would create more accessibility to evictions data.
 - **Challenge:** Requires funding and resources, might be difficult to maintain. Evictions data shown at such a granular geographic level may be used as a screening tool by landlords, thus impacting prospective tenants. Therefore, data should be at the property level not tenant specific.
- **Repeat evictor data collection and analysis.** Data from eviction notices filed can contain property owner information, thus allowing the Rent Board to collect information from repeat evictors. [Response: mitigation and prevention; Task: data; ••; Complex; Long term; Partners: Rent Board, MOHCD, community partners; Citywide]
 - **Benefit:** Enhancing a system to flag repeat evictors could help tenant organizations or agencies monitor bad actors who are abusing the eviction notice process to evict tenants.
 - **Challenge:** Requires funding and resources, and an inspection or housing service that follows up on eviction notices. Large property management companies who file eviction notices on the behalf of property owners would not get flagged by this system since they are technically not the property owners.
- **Monitor buyout data over time.** Analyze whether buyout data is increasing when all tenants begin to receive the right to legal counsel. [Response: mitigation; Task: data; •; Less complex; Short term; Citywide; Partners: Rent Board, MOHCD, Planning, Assessor-Recorder's Office]
 - **Benefit:** Since buyout amounts vary significantly and some tenants may be pressured or harassed into accepting a buyout amount when faced with eviction, analyzing whether buyout amounts increase when tenants receive right to counsel could be helpful in creating further buyout guidelines.
 - **Challenge:** Requires funding and resources, and buyout information may not always be fully accurate since it is self-reported. Buyouts may be discussed between a tenant and a landlord without counsel present, thus creating more pressure on a tenant to accept a buyout without considering all options.
- **Improve Enforcement of Existing Tenant Protections**
 - **Enhancements to notification requirements to tenants affected by maintenance, repairs, or other work.** Requiring tenant notification for all impactful residential projects could help inform the tenant of the unit earlier in the development process. [Response: early intervention and prevention; Task: regulation; •; Medium; Long term; Citywide; Partners: Planning Department, MOHCD, community partners]

- **Benefit:** If a housing inventory is in effect or if there are adjustments made to the Block Book Notification service,²⁰ the City could confirm the existing tenant have been notified and given the chance to discuss the development application with the project sponsor.
 - **Challenge:** Requires funding and resources, and an accurate and up-to-date rental registry. Permit process will be extended and requires more staff time and collaboration.
- **Primary eviction enforcement agency and process clarification.** Identifying a primary enforcement agency and process can help address wrongful evictions that occur through Owner Move-In, Relative Move-In, or Ellis Act evictions. While the Rent Board regulates rents and evictions for rent-stabilized units in the city, it is not an enforcement agency. Though there are many regulations regarding at-fault and no-fault evictions, there is not an agency charged with evaluating the legality of evictions and penalizing landlords who are acting wrongfully. [Response: mitigation, Task: regulation; ••; Medium; Long term; Citywide; Partners: Planning Department, DBI, MOHCD, community partners]
 - **Benefit:** Evaluating the legality of certain eviction types will ensure that tenants are protected from wrongful evictions.
 - **Challenge:** Requires funding and resources, and an additional enforcement team to follow up on enacted eviction notices.
- **Increased Outreach, Education, and Engagement**
 - **Provision of required information to new tenants.** The Rent Board could require landlords to provide information to new tenants on the roles, responsibilities, rights, and protections of landlords and tenants in rental properties, like that of the mandated lead-based paint disclosures.²¹ This standardized information could come at a minimum in the City's four official languages (English, Spanish, Chinese, and Tagalog) to overcome language barriers. The Rent Ordinance currently requires this information be shared with tenants when there is a change of ownership. [Response: early intervention; Task: regulation; •; Less complex; Long term; Partners: MOHCD, Rent Board, community partners; Citywide]
 - **Benefit:** Providing additional information to tenants on their rights and diversifying the languages this information is provided in would help tenants with identifying illegal actions and to know where to seek help in addressing these situations.
 - **Challenge:** Requires funding and resources. Is difficult to enforce and standardize to ensure tenants are receiving accurate information.

²⁰ <https://sfplanning.org/resource/block-book-notification>

²¹ MOHCD, San Francisco's Unstudied Evictions: Community Reflections and Recommendations

- **Targeted tenant education and outreach.** Results of neighborhood-specific investments from MOHCD and tenants' organizations could be analyzed to create targeted funding for areas that most need it. [Response: early intervention, mitigation, prevention; Task: service, funding; •; Medium; Short term; Partners: MOHCD, community partners; Neighborhood]
 - **Benefit:** Gaining clarity into which neighborhoods experience different types of evictions and/or buyouts could lead to better funding mechanisms or more targeted outreach to ensure that everyone is reached.
 - **Challenge:** Requires funding and resources and frequently updating analysis for neighborhood-level insights. Creating neighborhood-specific investments where the most of a single eviction type or buyout activity occurs may reduce services in other areas of the City.
- **Outreach and education on the Displaced Tenant Housing Preference program.** Refer to *Lottery Preference Programs and Affordable Housing* for more detail.
- **Enhance Tenant Protections**
 - **Financial and technical support for service providers.** While MOHCD increases funding each year for tenant protections services, providers continue to be overwhelmed by demand for services. [Response: early intervention, urgent/immediate, mitigation; Task: funding, service; ••; Medium; Long term; Citywide; Partners: MOHCD, community partners]
 - **Benefit:** Increasing funding will allow providers to meet demand, enhance services, and provide the extra services for the more vulnerable populations that may require special assistance. They would also be better equipped to provide services at more accessible hours and track comprehensive data.
 - **Challenge:** Requires funding and resources, and a reallocation of budget expenditures for partnering agencies.
 - **Mediation process enhancement for minor lease violations.** In the cases where tenants are receiving eviction notices for minor lease violations, consider revising the mediation process to provide more time to tenants to resolve the issue before an eviction occurs. [Response: early prevention and mitigation; Task: regulation; •; More research required; Long term; Partners: MOHCD, Rent Board, community partners; Citywide]
 - **Benefit:** Defining minor lease violations and appropriate mediation services would lessen their impact on tenants and prevent the loss of stable housing.
 - **Challenge:** Requires funding and resources and increased mediation services for such cases. May affect legality of lease agreements between a landlord and tenant. Defining minor lease violations may be too subjective based on the various types of cases that fall under each eviction type. Local law might be

impacted by state law that defines the eviction process.

- **Improved scheduling of hearings.** The Rent Board could schedule hearings more quickly and according to urgency of case so that hearings are held before unlawful detainer cases have been decided. Additionally, the purpose of Rent Board hearings could be expanded beyond petitions. [Response: early intervention and mitigation, Task: regulation; ••; Medium; Long term; Citywide; Partners: Rent Board, community partners]
 - **Benefit:** Hearings would allow tenants to voice their concerns in addressing certain types of eviction notices or rent raises.
 - **Challenge:** Requires funding, office space, and resources, an establishment of priority in case types. May impact length of time for addressing other case types that may not be as urgent but that still affect tenants and landlords.
- **Protect underserved populations with an expanded rent subsidy program.** An expanded rent subsidy program for specific underserved populations and rent burdened households could respond to crisis situations and provide immediate financial resources to avoid displacement and evictions. [Response: urgent/immediate, early intervention; Task: funding, regulation, policy implementation; Resource need: •••; Complex; Long term; Partners: MOHCD, community partners; Citywide]
 - **Benefit:** Provides direct financial assistance to residents in crisis situations.
 - **Challenge:** Requires significant funding and resources. Challenging to administer and monitor.
- **OMI eviction restrictions on Short Term Rentals (STRs).** Refer to *Short-Term Rentals Regulations* for more detail.
- **Process Improvements**
 - **Enhanced interagency coordination.** There is an opportunity to build on existing coordination by holding an interagency working group between DBI and Planning to discuss issues that overlap both agencies and to develop process solutions regarding UDUs, renovation permits, and code enforcement, among others. Participants could include members from both agency's code enforcement teams and program managers. [Response: prevention, mitigation; Task: regulation and policy implementation; Resource: •; Less complex; Long term; Citywide; Partners: Planning, DBI]
 - **Benefit:** Enhanced collaboration could help close loopholes in programs and bring everyone on the same page in terms of addressing certain housing types or process-related changes.

- **Challenge:** Requires additional staff time and coordinating lead to make process efficient and effective.
- **Permit process evaluation.** Assessing evictions associated with the capital improvements and soft story retrofit permit process would help ensure that tenants have a first right of return and have relocation assistance for the entirety of construction, rather than the current three-month guaranteed requirement. This evaluation could determine what point during the capital improvement or soft story retrofit process it is appropriate to temporarily evict a tenant. Additionally, an outcome of the evaluation could be a set framework for applicants that includes a standard contingency plan. [Response: early intervention, mitigation; Task: funding, legislation; Resource: ••; Complexity: Less complex; Long term; Citywide Partners: MOHCD, Planning, DBI, community partners]
 - **Benefit:** Gives displaced tenants the right to return once work has completed in relation to certain eviction types and provides longer term financial assistance to find housing.
 - **Challenge:** Would require funding and resources, including extending the roles of housing inspection or enforcement teams to follow-up on certain eviction types. May be costly for a landlord to continue to pay relocation assistance throughout the duration of a safety-related construction project, especially a mandated improvement such as a soft-story retrofit.

Resources

- San Francisco Housing Resource Guide, May 2019:
<https://sfmohcd.org/sites/default/files/Documents/MOH/SF%20Housing%20Resource%20Guide.pdf>

Lottery Preference Programs

The Mayor's Office of Housing and Community Development (MOHCD) currently manages six different lottery preference programs which provide priority for specific housing projects or affordable housing to households qualifying for each program. Having lottery preference improves a household's chances in a housing lottery for affordable housing and gives current and former San Francisco residents a chance to continue living in the City.

Background

What are Lottery Preference Programs?

A lottery preference program has specific requirements for a household to qualify. For example, the neighborhood resident housing preference requires that the applicant live in the project's supervisorial district they are applying to, and another program gives preference to applicants that experienced an Ellis Act or Owner Move-in eviction.

City-sponsored housing:

1. The Certificate of Preference (COP) program serves households that were displaced due to government action and promised the right to return to affordable housing. The former San Francisco Redevelopment Agency issued certificates to displaced households in the 1960s and 1970s. COP applicants can exercise the certificate twice – to rent one unit and to buy one unit.
2. The Displaced Tenant Housing Preference (DTHP) helps renters displaced by an Ellis Act or Owner Move-in eviction or by fire to find new housing. It gives applicants higher priority to 20percent of the units offered in affordable housing lotteries. Households can exercise the DTHP certificate only once – to rent one unit or to buy one unit.
3. The Neighborhood Resident Housing Preference (NRHP) is only available in new properties with 5 or more lottery units and provides 40 percent of lottery units to NRHP applicants. Households must currently live within a half-mile radius from the property or in the same Supervisor District as the property.
4. The Live or Work in San Francisco preference applies to every MOHCD lottery. Households must currently live in the city or work at least 75 percent of working hours in the city.

Project-specific Housing

1. Households must be a former resident of the renovated project (i.e. Alice Griffith Housing Development Resident).
2. The Rent Burdened/Assisted Housing Preference is only available for some OCII-sponsored properties in the Bayview (i.e. Hunter's View, Alice Griffith). Households must currently be paying more than 50 percent of income towards housing costs.
3. The Public Health Employee Preference only applied to one recent development (588 Mission Bay Boulevard North). To qualify for the program, household must include an employee of public universities or health care institutions in San Francisco.

Why are Lottery Preference Programs Important?

The lottery preference programs exist to improve a household's ranking in the lottery for affordable housing units. Each preference program targets specific populations and maintains specific requirements. These requirements help the City establish a method of defining households with the greatest need for affordable housing. Since there are more households identified with a need for affordable housing than there are affordable housing units available within the City, the affordable housing lottery exists to give every qualified applicant an improved chance to purchase or rent an affordable unit.

What's Happening Now for Lottery Preference Programs?

The Mayor's Office of Housing and Community Development (MOHCD) updated the Housing Preferences and Lottery Procedures Manual in March of 2018. The manual outlines the operation and procedures of several City Affordable Housing preference programs. A City Affordable Housing Project is one that includes one or more housing unit funded or created pursuant to a City Affordable Housing Program including, but not limited to, funding from MOHCD, former SFRA supported units with affordability restrictions, or inclusionary housing units. The purpose of the manual is to provide agencies, developers, and potential City housing residents further clarity on available preference programs, the process of applying and being selected, and the allocation of City Affordable Housing Units to tenants or homebuyers. The updated manual serves as a resource to many different organizations and to the general public.

Key Trends

- Less than one percent of all applicants with or without a qualified preference program successfully received a housing unit in 2017 and 2018. This simply reinforces the need for more affordable housing in the city.²²
- The largest proportion of applicants awarded a unit were COP applicants, followed by DTHP applicants.
- When looking into race and ethnicity of applicants versus occupants overall for all preference programs, there are a few differences between the percentage of races and ethnicities applying and the percentage receiving a unit. Additional data may help ensure where more outreach is necessary to ensure equity in all programs.
- Most Supervisorial Districts with a high number of census tracts with predominantly low-income households experiencing gentrification and/or displacement also contain a high percentage of applicants for preference programs in San Francisco.
- 867,000 people have visited the DAHLIA website since February 2016 and 342,000 applications have been completed since November 2016.

²² MOHCD data. January 2019.

What's Happening Now

Data analysis on why households may refuse a unit or not qualify for a unit is also key to understanding the limitations of each program and to developing strategies to address limitations. Debt counseling will help a significant number of households qualify, especially in cases where disqualification is based on credit or debt issues. The pilot phase of the DAHLIA portal is currently collecting this information.

Issues with Gaining Housing through Lottery Preference Programs

The number of applicants in each preference program far outweigh the number of available units, therefore many applicants may be waiting for an eligible unit for a long period of time. In certain Districts there have been over 4,000 lottery preference program applicants without any available or eligible affordable housing units to accommodate the need (such as District 1 and District 4). District 6, which had the highest number of applicants from San Francisco (approximately 16,800 applicants), only had 17 developments built in the past two years which resulted in 809 affordable units. Overall, from 2017 to 2018, there were 1,368 affordable units available and over 100,000 applicants. While the number of applicants might be inflated by duplicates across different preference programs and different housing developments, there are still far fewer affordable housing units created for the number of individual applicants overall.

It can be difficult for applicants and community organizations to understand how units are divvied up amongst the different preference programs. The number affordable units set aside for preference programs in a development vary depending on available units and funding requirements, among other reasons. MOHCD staff also highlighted the need to adjust the lottery preference system to be accessible and meet the City's equity and housing goals.

Federal fair housing laws may be out of step with the goals of the City's lottery preference programs. Laws are specifically designed to eliminate segregated neighborhoods but may impact current or former residents' ability to continue to live in their communities given today's displacement trends. In certain urban areas, fair housing laws can be outdated and not necessarily applicable to all programs, and they may create additional challenges when trying to achieve the anti-displacement and stabilization of neighborhoods and residents already under stress.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Tailored preference programs for specific at-risk communities.** Community stakeholders suggested adding more preference programs to target sensitive communities at risk of displacement. [Response: mitigation, early intervention; Task: policy implementation; Resources: More information required; Complexity: More information required; Long Term; Partners: MOHCD, community partners; Citywide]
 - **Benefit:** In the same way that NRHP targets residents within the neighborhoods receiving additional housing units, new preference programs to address artist populations or families with children would help stem the loss of these types of households from the City.
 - **Challenge:** Requires funding and resources, strong engagement with existing or rapidly declining communities to establish requirements for new programs. Creating new lottery preference programs may push other existing preference programs further down the list in terms of priority or make less units available to the general population.
- **Enhanced Outreach and Education.**
 - **Additional outreach and education on preference programs.** Due to the complexity of housing lottery preference programs, prioritization of programs, and requirements for documentation, many households may feel intimidated or may not feel qualified to apply. [Response: early intervention, mitigation; Task: service, funding; Resource: •; Less Complex; Long Term, Partners: MOHCD, community partners; Citywide]
 - **Benefit:** By expanding outreach and education on qualifying for a unit through lottery preference programs, more households could be notified of their qualifications, and the daunting process can be clearer.
 - **Challenge:** Requires funding and resources, capacity building in neighborhoods where there may not be existing community organizations.
 - **Support in Additional Languages.** The MOHCD website could link to the Lottery Preferences Manual in multiple languages including but not limited to: English, Spanish, Chinese, and Tagalog. [Response: mitigation; Task: service, funding; Resource: •; Less Complex; Long Term, Partners: MOHCD, community partners; Citywide]
 - **Benefit:** Providing the manual in additional languages could help with outreach, and to provide support to non-English speaking communities in the City.
 - **Challenge:** Requires funding and resources.
- **COP Program Extension.** Since displacement of households in the 1960's and 1970's affected generations of families, the City could explore extending the Benefit of the COP program beyond the directly affected head of households. [Response: mitigation; Task: funding, regulation, data; Resource: ••, Medium; Long Term; Partners: MOHCD, OCII, community partners; Citywide]
 - **Benefit:** Since a portion of COP holders have already passed away and displacement has affected generations within these families, extending the COP

to surviving family members such as grandchildren can aid in bringing back displaced communities to the City.

- **Challenge:** Requires funding and resources and extending the COP to surviving family members still requires that the family members meet income eligibility and other requirements. Locating surviving members is difficult.
- **Fair Housing Law updates.** Given the changes and understanding of community stabilization over the years, existing fair housing laws could be evaluated and updated to include key stabilization efforts for ensuring a racially and economically diverse City. Further discussions with the U.S. Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD) on the National Register of Historic Places (NRHP) program could continue to include reasoning behind the need for similar preference programs and the impact of allowing these types of preferences on existing fair housing laws. [Response: mitigation; Task: policy implementation; Resource: •; Complex; Long Term; Partners: MOHCD, HUD, Citywide and Nationwide]
 - **Benefit:** The City could work with community organizations involved in affordable housing and stabilization efforts to understand opportunities to enhance specific types of preference programs to target communities at risk.
 - **Challenge:** Requires a potential review of national law and the alignment of proposed changes with existing political agendas.
- **Lottery Preference Program Data Analysis**
 - **Applicant specific data for each preference program.** In addition to researching the effectiveness of each program, data could be consistently collected and analyzed for why applicants refuse a unit or do not qualify for a unit. [Response: mitigation; Task: data; Resource: •, Less Complex; Long Term; Partners –MOHCD, Citywide Scale]
 - **Benefit:** Important data points, such as reasons why households refuse a unit or do not qualify, contribute to the understanding of the success of each preference program.
 - **Challenge:** Requires funding and resources. May require applicants to provide details about reasons for refusing a unit, which may be difficult for applicants.
 - **Applicant data analysis.** Applicant data is being collected through the DAHLIA website. Due to limited staff capacity, the data has not been analyzed. [Response: mitigation; Task: data; Resource: •; Less Complex; Long Term; Partners –MOHCD, Citywide Scale]
 - **Benefit:** Evaluating existing data could help staff understand the number of people who have not completed applications or do not qualify for a unit, and to conduct further outreach or provide support to these households.
 - **Challenge:** Requires staff resources and time.

Resources

- Lottery Preference Program Details. Online: <https://sfmohcd.org/lottery-preference-programs>

DRAFT

Homeowner Stabilization and Opportunity

For many low-income households, homeownership represents an opportunity to build wealth and security that may last for generations. As downpayment requirements increased since the financial crisis in the mid-2000s, less low-income households had access to the funds necessary to purchase a home through the private mortgage market. The Mayor's Office of Housing and Community Development (MOHCD) currently has two first-time homebuyer loan programs to help current homebuyers in San Francisco.

Background

What are Downpayment Assistance Loans?

Downpayment assistance loans provide City funds to eligible households to afford a residential property on San Francisco's open housing market. For the Downpayment Assistance Loan Program (DALP) this is up to \$375,000 per household. The loan must be used on the down payment of a single home to be used as the primary residence. DALP funds are distributed based on three priority buckets, and each separate type of DALP program bucket is funded separately as well: First Responders Downpayment Assistance Loan Program (FRDALP), SFUSD Educators (Educators DALP) and General DALP. The DALP program is available to households making up to 175 percent AMI (in 2019, that's a one-person household making \$150,850, a two-person household making \$172,400, or a four-person household making \$215,500). The Below Market Rate (BMR) Downpayment Assistance Loan Program (BMR DALP) only applies to deed-restricted homeownership units priced to be affordable to households that are moderate income or below (100 percent area median income or less).

Another program called the City Second Loan Program (CSLP) provides a down payment loan of up to \$375,000, depending on fund availability. The loan can be only used to bid from a collection select group of properties, which are also available on the open market, unlike DALP which can be used on any open market listing. The unit can be re-sold at market prices. However, the owner cannot automatically close on the first offer received, as the City has the option of selecting a low to moderate income another buyer from the CSL program to match the first offer.

Why are Downpayment Assistance Loans Important?

For the general DALP, household income cannot exceed 175 percent of the Area Median Income in 2019 (or \$215,500 annual income for a four-person household). For the FRDALP or Educators DALP, household income cannot exceed 200 percent of the AMI in 2019 (or \$246,300 annual income for a four-person household in 2019). These specific eligibility requirements help low and moderate-income households compete with other higher-income households for housing on the open market, thus stemming the loss of middle-income families and households from the city.

Key Trends

- Households with higher incomes and more assets are more likely to be able to use DALP to purchase a home, particularly a single-family residence (SFR).

- The average AMI level of households served by the DALP program in 2017 was 130 percent AMI, which is above-moderate income.
- The demographics of lottery preference applicants from 2017 does not reflect citywide demographics, especially for Asian and Black households which have a lower proportion of applicants than citywide population.
- Just as home prices have increased over time, the average DALP loan amount per awarded applicant has grown substantially over time, while the number of DALP loans granted per year has declined.
- For CSLP loans, the average loan amount awarded to recipients has stayed more consistent, but the number of loans awarded per year has decreased since 2006.
- Most DALP recipients move to lower income areas because that might be where homes are more affordable to purchase.

What's Happening Now Related to Homeownership Stabilization and Opportunity?

The maximum loan amount for DALP has increased over time, going from \$100,000 to \$200,000 in 2014 and at \$375,000 per household in 2018. The new limit allows home buyers to afford more homes listed on the open market. In 2016, more middle-class households were also eligible for DALP as the income limit increased to 175 percent AMI for general DALP, and to 200 percent AMI for First Responders DALP and Educators DALP. Also, in 2016, Teacher Next Door forgivable loans became available to be used in addition to DALP loans.

The Home Match program helps current homeowners with extra rooms connect with people who are seeking rooms and need an affordable place to live.²³ These types of programs help homeowners, especially senior homeowners who have larger homes and are looking to right-size, to connect with those looking to home-share and create extra income from renting extra rooms.

Issues with Buying a Home with Downpayment Assistance Programs

In 2017, the average annual household income of DALP recipients who purchased an SFR was over \$120,000, and the average household size was three.²⁴ This is above 120 percent AMI (by 2017 standards) – meaning that the program may be primarily addressing home ownership challenges for above moderate-income households. Since this isn't the full picture of households receiving assistance, more research on defining who receives loan assistance by collecting and analyzing all data, and then addressing if and how this program is designed to meet the “missing middle’s” needs, could be helpful.

DALP recipients are competing with market rate offers on housing units. It is difficult to compete with cash offers and bids over asking price. DALP recipients cannot move as quickly as private offers (it can take up to 60 days to close a transaction). Additionally, the DALP loan amount follows market trends. As home prices increase, down payment amounts also increase, leading to less households being able to

²³ Home Match program. Online: <https://homematchsf.org/>

²⁴ According to the data available, which was only half of the loans awarded for that year.

utilize DALP funds during a tough housing market. Similarly, less households can utilize CSLP funds during a tough housing market. Since a CSLP buyer must purchase the property at the same price offered by a bona fide buyer, the amount necessary for purchase fluctuates with market behavior.

Other general homeownership issues include needing financial and technical support to rehabilitate existing homes that have problems with safety and accessibility, financial assistance to provide solar home modifications, and supplemental income programs for low-income homeowners facing potential foreclosure.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Need-based prioritization.** Since DALP only has occupational preferences, further prioritizing households in General DALP by income, length of time in lottery, or risk of displacement could be helpful in finding households with the greatest need. [Response: mitigation; Task: regulation, data, Resources: •; Medium; Long Term; Partners: MOHCD, Citywide]
 - **Benefit:** The most vulnerable households who qualify for DALP can be prioritized.
 - **Challenge:** Requires funding and resources and may encounter issues with defining greatest need in combination with eligibility for the program since it relies on 3rd party mortgage companies to offer loans. If applicants were ordered by greatest need, then the program would need to reassess priority in terms of First Responder DALP applicants and other occupational DALP programs as well.
- **Homeowner program data streamlining, collection, storage, and analysis.** It is difficult to understand why applicants end up not utilizing the DALP or CSLP programs. For example, if a household is selected for DALP and choose to pass, it may be for a multitude of reasons (i.e. change in financial status, no appropriate homes available on the market, moving out of San Francisco, etc.). For CSLP, there is an opportunity to collect and analyze data on race or ethnicity or size of households. [Response: mitigation; Task: data; Resources: •, Less Complex; Long Term; Partners: MOHCD, Citywide]

- **Benefit:** Understanding why households selected on lottery end up not using DALP or discovering trends in household characteristics of CSLP applicants and recipients could help improve both programs.
 - **Challenge:** Requires funding and resources.
- **Partnerships with other funding sources.** Creating more partnerships with other funding sources could help more households receive down payment loan assistance. There could be coordination with the Small Sites Program to help tenants at risk of displacement convert small apartment buildings to condominiums and purchase those units for individual ownership. [Response: mitigation, prevention; Task: program, funding; •••, Complex; Long Term; Partners – SFHAF, MOHCD, Community Partners, Citywide Scale]
 - **Benefit:** Since funds are limited, partnering with other organizations such as the Housing Accelerator Fund could increase funding sources or provide gap funding sources when households are competing at market rate prices for homes.
 - **Challenge:** Requires resources to manage more funding sources.
- **Lending on co-living homes or co-housing.** New homeownership loans that can be given to multiple households to purchase a shared home could expand access to homeownership. [Response: early intervention, mitigation; Task: policy implementation, funding; Resources: •••; Complex; Long Term; Partners: MOHCD, Community Partners, Citywide]
 - **Benefit:** Being able to split a home into shared spaces helps alleviate the high prices of larger homes and distributes a single downpayment to shared purchasers, thus creating more access to the homeownership programs for households without enough assets to purchase a home on their own.
 - **Challenge:** Requires resources and funding.
- **Homeowner program expansion.** Both programs could implement the ability for all homebuyers to apply, not just first-time homebuyers, but ensure that the property being bought will be the only property owned by the homebuyer within the City. Also, additional requirements could be considered, such as if a second or third-time home buyer utilizes the DALP program they must be within the 80 to 120 percent AMI bucket. [Response: mitigation, early intervention; Task: regulation; Resources: •••; Complex; Long Term; Partners – SFHAF, MOHCD, Community Partners, Citywide Scale]
 - **Benefit:** Altering requirements for the eligibility of households to this program could help target more low- and moderate-income households for the program.
 - **Challenge:** Requires changing the program legislation.
- **DALP and CSLP Program assessment of effectiveness in stabilizing middle-income households.** As housing prices continue to increase and fewer households can use these programs, the City could continue to evaluate whether programs are efficiently helping achieve more affordable

housing and preventing displacement in comparison to other housing programs at MOHCD.
[Response: mitigation; Task: data, regulation; Resources: •; Medium; Long Term; Partners – MOHCD, Citywide Scale]

- **Benefit:** Since the 2017 DALP awards were given to households with an average of 130 percent AMI, the City could assess how the DALP program is currently assisting at-risk households or stabilizing vulnerable communities in comparison to other anti-displacement efforts such as the Small Sites Program or the Inclusionary Program.
- **Challenge:** Requires resources to collect accurate information and analyze the program for effectiveness.

Resources

- DALP Details. Online: <https://sfmohcd.org/dalp-details>
- SFMOHCD. 2018 Maximum Income by Household Size. Online: https://sfmohcd.org/sites/default/files/Documents/MOH/Asset%20Management/2018%20AMI-IncomeLimits-HMFA_04-06-18.pdf

Single Room Occupancy Hotel Protections

Today, residential SRO (Single Room Occupancy) hotels represent one of the few remaining affordable housing options for low-income households and seniors in San Francisco. Housing market pressures, illegal conversions, and legal issues with defining tenancy have led to the loss of SRO rooms and the affordability of these rooms over time.

Background

What are Single-Room Occupancy hotel rooms?

Historically, SRO hotel rooms were populated by low-wage workers, transient laborers, and recent immigrants for long stays. SRO rooms are differentiated from tourist hotels in that they were meant to house a transient workforce, not tourists visiting the City for pleasure. A typical room in a residential hotel is a single eight (8) x ten (10) foot room with shared toilets and showers on each floor.

Approximately 19,000 residential SRO rooms exist in the City, and increasingly many rooms house several people for long periods of time. Approximately 12,500 of those rooms are in for-profit SRO hotels and approximately 6,540 residential rooms are in non-profit owned SRO hotels.

What is the Residential Hotel Conversion Ordinance?

The Residential Hotel Unit Conversion Ordinance (HCO) was adopted on June 26, 1981 by the San Francisco Board of Supervisors. The purpose of this ordinance is to preserve affordable housing by preventing the loss of residential hotel units through conversion to tourist rooms or demolition, and to prevent the displacement of low-income, elderly and disabled persons. This is accomplished by maintaining units reported as residential units within SRO hotels as residential, regulating the demolition and conversion of residential hotel units to other uses, the requirement of a one-to-one replacement of units to be converted from residential use or payment of an in-lieu fee, and appropriate administrative and judicial remedies for illegal conversions.

Key Findings²⁵

- The highest concentrations of SRO hotels are found in the Tenderloin, Chinatown and Inner Mission neighborhoods (predominantly low-income census tracts).
- The total average rent for SRO rooms in San Francisco is approximately \$890 a month. Haight Ashbury, Hayes Valley, Pacific Heights, and Potrero Hill are the most expensive neighborhoods for renting SRO units.²⁶
- On average about 18 percent of residential rooms in for-profit SRO hotels are vacant. For comparison, in 2015, San Francisco's vacancy rate for residential units was at 9 percent.²⁷ About

²⁵ This data is a self-reported snapshot of a single day (October 15, 2017) in the 2017 reporting period (November 1, 2016 through October 31, 2017) in the 2017 Annual Unit Usage Report (AUUR).

²⁶ 2017 Annual Unit Usage Report (AUUR). After removing any data listing average rent above \$3,000 per month, which are most likely data errors.

²⁷ 2017 Annual Unit Usage Report (AUUR); American Community Survey (ACS)

85 percent of all vacant residential rooms are within areas that are predominantly low-income and experiencing ongoing displacement.²⁸

- Out of the approximately 390 SRO hotels, 46 for-profit hotels self-reported that more than 50 percent of their residential guest rooms were vacant on October 15, 2017. Of these, 17 SRO hotel buildings reported 100 percent of their residential rooms vacant and have occupancies only in hotel rooms designated for tourist use.
- The two main self-reported reasons for vacancy are as follows: 1) The residential guest rooms are in a state of disrepair and are currently undergoing renovation; and, 2) There is little to no demand in the residential guest room market and that the rental amounts charged for these guest rooms was too high.

What's Happening Now to Prevent the Loss of SRO Rooms?

The City and County of San Francisco in partnership with The Bar Association of San Francisco's Bay Area Mediation Services Program funded the Conflict Intervention Service (CIS). The CIS program utilizes skilled mediators with diverse backgrounds in landlord-tenant law, psychology, addiction, mental health and housing conflict to resolve disputes in affordable housing that can lead to eviction or homelessness.

Without a Report of Residential Building Record (3R Report), agencies cannot confirm the legal number of units and/or rooms on the property. When put on sale, an SRO building might be misrepresented on multiple listing service (MLS) due to the inability to confirm the number of certified rooms without a 3R Report. Since 3R Reports were not required for hotel rooms of certain sizes, new legislation updating the 3R Report requirements was just passed by the Board of Supervisors in May of 2019.²⁹ The Ordinance, as proposed by Supervisor Peskin, requires the completion of a report of residential hotel status and disclosure of the report to a buyer or transferee prior to the sale or transfer of an SRO hotel.

In addition, SFHOT (San Francisco Homeless Outreach Team) currently partners with non-profits to place homeless persons in SRO rooms. Brilliant Corners, a non-profit operating in the City, also places homeless persons in SRO rooms and helps provide social services to individuals living in these spaces.

In order to help provide further support and education, several organizations also currently facilitate SRO operator and/or owner trainings. The Tenderloin Housing Clinic (THC) currently holds ten landlord trainings per year. These trainings are usually conducted on a one-on-one basis with SRO operators or owners.

Issues with Preserving SROs

Some SRO hotels enter master leases with the City, thus ensuring that residential rooms remain at a specific affordability level. However, given the rising housing market, hotel owners have less incentive to enter into master leases and might make a higher profit from listing units at market rate. Some SRO owners have renovated their buildings into higher end group housing by displacing lower-income

²⁸ UC Berkeley's Urban Displacement Project. Online: <https://www.urbandisplacement.org/map/sf>

²⁹ <https://sfgov.legistar.com/View.ashx?M=A&ID=690833&GUID=476EA0BF-E0E0-496C-A172-16AA177B372A>

tenants through eviction or attrition. Units in SRO hotels are generally subject to the rent ordinance (as most were constructed before 1979), but do not typically have permanent price controls like deed-restricted affordable housing. This means that whenever there is a vacant room, prices can increase to market-rate (vacancy decontrol). SRO buildings also have a certain number of certified residential rooms and certified tourist rooms. However, instead of following the legal process of converting these residential rooms to tourist rooms, some SRO operators do not do accurate reporting or utilize underhanded methods of preventing tenants from establishing tenancy and changing the residential rooms to the more lucrative tourist room use.

Community organizations and tenant advocates discussed that SRO hotel owners have, in many instances, used renovating and upgrading residential guest rooms as a method of displacing long-time residential hotel residents. Hotels that are maintaining high vacancy rates with plans of renovating oftentimes signal the loss of residential guest rooms. Additionally, hotels with high vacancy rates due to a supposed “lack of demand” within the residential guest room marketplace may be holding guest rooms vacant to avoid rent stabilization and other tenant protections.

Harassment and habitability are less visible issues for SRO hotels. Community stakeholders revealed that SRO residents encounter many types of harassment, both from SRO operators and from other residents, and some eventually get pushed out of SRO hotels due to these cases. Community stakeholders shared that harassment forces residents to self-evict. The maintenance, safety, and habitability of rooms and buildings remain a big concern in SRO hotels as well. Especially in situations where more than one person inhabits an SRO room, habitability and safety can add further problems to an overcrowded unit. If SRO residents cannot safely live within their own homes, then pressures to leave and find housing elsewhere arise.

The legislative update of the HCO Ordinance in 2017 clearly defined tourist or transient use as the use of any guest room for less than a 32-day tenancy by any person other than a permanent resident, closing a loophole that allowed weekly tourist rentals and that made some landlords move tenants to different rooms weekly to prevent the establishment of tenancies. An unlawful conversion was defined as the rental of a residential room to any person for less than 32 days, instead of less than seven days as the Ordinance had previously stated. However, in late 2018, the City agreed to a stipulation enjoining the City from enforcing the 32-day provision of the 2017 amendment to the Ordinance until a lawsuit challenging this amendment is resolved. Accordingly, the minimum stay for a residential guest room is seven days. Frequently changing legislation prevents residents of less than seven days in SROs from establishing tenancy, and leaves the loophole allowing weekly tourist rentals open.

Issues at a Glance

The Bristol Hotel in San Francisco (56 Mason Street) was completely cleared in 2012 to make room for much needed repairs. Although the removal of tenants was meant to be temporary, the Bristol Hotel has remained vacant since. Permit history shows that permits were pulled to replace interior windows in 2012 but the work was never done. The former tenants filed several complaints following the lack of

maintenance and work completed, and, in 2016, the Superior Court of California ordered the property owner restore tenants to their units no later than August 2017. Tenants were not restored to their units by the specified date, and the property experienced ongoing litigation. Meanwhile, the property owner began to pursue other opportunities, including beginning conversations with developers interested in converting SROs into group housing quarters for professionals. In late 2018, Mayor Breed created a plan to convert the property into “step up housing” for the formerly homeless. The plan was made possible through a philanthropic donation and will be managed through a partnership with the Tenderloin Housing Clinic.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Strengthen tenant protections.**

Additional information on this can be found in the Tenant Protection Services summary.

Consider a penalty for SRO operators preventing residents from establishing long-term residency. The act of shifting residents to different rooms before the 30-day mark to prevent establishment of residency and associated resident rights is often called “musical rooming” and is illegal.³⁰ Currently, the City Attorney’s office is the only agency that enforces this law and relies primarily on tenant complaints to address the issue. To prevent the issue, other methods of disincentivizing “musical rooming” could be engaged, such as proactive inspections and greater fines for repeat offenders. [Response: prevention; Task: data, regulation; Resources: ••; Complex; Long term; Partners: Housing Inspection Services, community partners; Citywide]

- **Benefit:** Stronger protections would lower tenants’ risk of displacement.
- **Challenge:** Granting city agencies enforcement oversight can take time. Proactive inspection can also be an expensive and lengthy process.

- **Stronger SRO regulations and enforcement**

- **Institution of fines for illegal conversions of SRO units.** If an illegal conversion is uncovered during the process of inspection, or after receiving the completed AUUR data, HIS could be allowed to institute fines on SRO operators. The Housing Inspection Services (HIS) division of DBI currently lacks the ability to enforce on this issue and

³⁰ California Civil Code Section 1940.1

including enforcement as part of the Chapter 41.20 Administrative Code amendment would help prevent the illegal conversion of residential SRO rooms. [Response: prevention; Task: data, regulation; Resources: •; Complex; Long term; Partners: DBI; Citywide]

- **Benefit:** Encourages SRO operators to refrain from illegally converting an SRO residential room to a tourist use.
 - **Challenge:** Requires staff time and resources to administer and enforce.
- **Evidence of advertising non-affiliated student housing or corporate housing in existing SRO buildings as a violation.** Section 102.36 of the Planning Code defines student housing as being owned, operated, or controlled by an accredited post-secondary educational institution. However, there is ample evidence of SRO operators not affiliated with any educational institution renting out residential rooms solely to students and advertising their buildings as student housing on websites. By making evidence of the conversion of a whole building to student housing a potential violation, DBI could address this issue and implement potential fines to discourage SRO operators from converting all residential rooms to student housing.³¹ It is important to note here that the intent of this idea is not to remove SRO housing as a resource for students, but to limit the ability to market entire SRO buildings exclusively for student housing without being affiliated to an educational institution. [Response: prevention; Task: regulation; •; Complex; Long term; Partners: DBI and Planning Enforcement Teams; Citywide]
 - **Benefit:** Limits the ability to market an entire SRO building exclusively for student housing and maintains access to these buildings for low-income tenants.
 - **Challenge:** Requires funding and resources, and a regulatory change to impose fines on SRO operators for this specific reason.
 - **Vacancy fee.** *Additional information on this can be found in the Rent Stabilization and Eviction Protections summary.*
- **Improved data collection on the status of SRO units.**
 - **Enhanced tracking methods of SRO unit data.** Adding a section to San Francisco Planning's Property Information Map (PIM), a public tool that aggregates all permits, applications and complaints, for each parcel that contains an HCO property can help clarify what should be routed to DBI or HIS first when receiving a permit or application

³¹ This opportunity discusses the block-leased scenarios that remove entire floors of SRO rooms from the housing stock for low-income households. Some students or corporate workers may be low-income and live in SRO rooms since they are more affordable, and this recommendation does not limit the use of SRO rooms in these situations.

at the Planning counter. [Response: early intervention; Task: legislation; Resources: ••: Complexity: Complex; Long term; Partners: Planning, DBI, community partners; Citywide]

- **Benefit:** Could clarify permit process challenges and streamline conversion and other development applications.
 - **Challenge:** Requires additional staff time, resources, and a shift in existing permit routing processes that may be challenging to implement.
- **Additional data collection in AUUR.** There is an opportunity to enhance data quality and accuracy of information collected from Annual Unit Usage Reports (AUURs). The types of data collected could be expanded to include important variables such as whether units have ADA accessibility or can support microwaves or refrigerators, which can help determine whether the SRO hotel meets resident needs. Clarifying average rent for SRO hotels also helps determine the affordability of these rooms. Since the AUUR is a publicly published resource, the report offers the opportunity to provide specific information about SRO rooms and hotels to the public. [Response: prevention; Task: data; Resource: •; Complexity: Complex; Length of Impact: Long term; Partners: DBI, Planning, SRO operators, community partners; Geographic Scale: Citywide]
 - **Benefit:** Additional data would help preserve SROs as well as incentivize property owners and managers to address code violations as quickly as possible.
 - **Challenge:** It would require closer coordination between various agencies as well as coordinating department databases.
- **SRO acquisition, master leasing, or rehabilitation**
 - **Pathway to contracts with an agency.** A loan or grant program could help to modernize SRO hotels to enable acquisitions or master leases. Some SRO hotels are unable to contract with the City or other agencies due to buildings not being up to code and/or poor maintenance. To prevent unintended consequences, further analysis could be conducted to ensure that existing tenants are not being evicted to make upgrades or that this program is not an incentive to ignore violations. One condition of the loan or grant program could be the prevention of passing the cost of maintenance or upgrades on future tenants through mark up of rent. By working with existing tools within the City, such as the Department of Building Inspection's registry for vacant or abandoned properties, underutilized SRO buildings that could be brought up to code can be more easily identified and eventually contracted with an agency. [Response: early intervention, prevention; Task: funding, regulation; Resource: •••; complexity: Complex; long term; Partners: Planning, MOHCD, DBI, community partners; Citywide]
 - **Benefit:** Improves habitability of SRO units and increases the master lease and acquisition options for City and nonprofit entities.

- **Challenge:** Requires coordination and further analysis to ensure there are limited unintended consequences.
- **Acquisition or master-leasing opportunities of private hotels by the City or non-profit organizations.** Exploring the master leasing of privately-owned SROs for sale that are not already under city or nonprofit management or master leases could help stabilize those that could be converted to more expensive housing. In the short-term, an assessment and inventory of how many rooms and hotels are not under city or nonprofit management can help determine need and target supportive services and outreach to those private SROs. This assessment would help to stabilize and prevent tenants from becoming homeless and to address unmet needs, especially for smaller SRO hotels that may be difficult to master lease. Additionally, more information collected on privately owned SROs can help prioritize those SROs with tenants most likely to be displaced. [Response: prevention; Task: data, funding; Resource need: ●●●; Complexity: Complex, Length of Impact: Long term, Partners: DPH, HSH, MOHCD, community partners; Geographic Scale: Citywide]
 - **Benefit:** SRO acquisition or master leasing and rehabilitation would help preserve the affordability of SRO units as well as improve the quality of life of existing residents.
 - **Challenge:** Acquisition in the current real estate market can be extremely expensive on a per-room basis. Given limited funds for affordable housing, SRO acquisition is not always a priority compared to constructing new units. Purchased buildings also must be brought up to code, which can be costly and displace tenants.
- **Address overcrowding in SRO units.** Families who are in overcrowded situations in the homes of family or friends, living in SRO units and in substandard or inadequate living spaces are considered homeless.³² Knowing the details of income levels and other household information on families in SRO units would help determine potential changes (legislative and funding) to existing affordable housing preferences. The information could also help create guidelines to prioritize the movement of families from unhealthy and overcrowded SRO units to affordable family-sized housing units in the city. This type of data collection could also be analyzed in conjunction with other data points, such as the number of violations per SRO building, to help better understand the need for prioritizing the transition of families, especially families with seniors and young children, to safer homes. [Response: mitigation; Task: data, policy

³² A report from SRO Families United Collaborative - *2015 SRO Families Report Living in the Margins, An analysis and Census of San Francisco Families Living in SROs* - finds that there are an estimated 699 families living in SROs, with a majority living in Chinatown SROs.

implementation; Resource need: ••, Complexity: Complex, Length of Impact: Long Term, Partners: MOHCD, community partners, Geographic Scale: Citywide]

- **Benefit:** Families living in overcrowded conditions would gain access to better living conditions.
- **Challenge:** A trade-off to consider is that adding an additional preference for affordable units reduces the overall pool of units available to the general population. This is an acceptable tradeoff to some advocates if those families are the most vulnerable.

Resources

- SRO Collaborative Program: <https://sfdbi.org/SRO>

Short-Term Rental Regulations

Short-term residential rental regulations in San Francisco are intended to protect the City's housing supply for long-term residents and preserve neighborhood character by limiting the type of units and length of time a unit can be rented for short-term use by tourists.

Background

What are Short-Term Rental Regulations?

Under San Francisco Administrative Code Chapter 41A, a short-term residential rental is a rental of all or a portion of a home for periods of less than 30 nights. A permanent resident may offer their primary residence as a short-term residential rental if:

- The resident occupies the eligible residential unit for no less than 275 days out of the calendar year,
- Registers with the Office of Short-Term Rentals (OSTR),
- Maintains records of compliance for two years,
- Complies with all provisions of law and code,
- Maintains liability insurance,
- Complies with rent stabilization provisions, and,
- The unit is not subject to Building, Fire, Housing, or Planning Code Enforcement.

Dedicated affordable housing units, including below market rate (BMR) units; as well as student dormitories, and those residential units approved as Accessory Dwelling Units (ADUs), are ineligible to register for short-term rental use. In addition, if a property features multiple residential units, short-term rentals may only be hosted in the same residential unit where a host also resides at least 275 nights per year.

The City's registration system is tied to both the individual residential unit and the current host (whether the property owner or a long-term tenant), which allows hosts to use short-term rental websites and to register their rentals with a business license and a short-term rental application with a fee of \$250 (for a two-year certificate period).

An eligible short-term rental host may offer/host up to 90 cumulative nights of un-hosted (where the host is not also present overnight) of short-term rentals per calendar year. While there is no limit on the number of nights a host may offer "hosted" short-term rentals (where the host is also present overnight in the same residential unit), a host may not offer more than five simultaneous short-term rentals at the same time (e.g. no more than five different bedrooms being rented as private room offerings to five different tourist couples at the same time).

Why are Short-Term Rental Regulations Important?

Unregulated short-term rental activity can result in residential units being converted to de facto year-round tourist use. This can lead to the loss of long-term housing availability and issues such as:

- Recorded and un-recorded owner move-in evictions, where a long-term tenant vacates the unit (including through a payout in lieu of legal action) and the owner sometimes fails to move their family members into the unit and subsequently operates the unit as a de facto tourist hotel.
- Instances where a long-term tenant moves out of a unit on their own accord, and the owner then operates the unit as a de facto tourist hotel.
- The development of one or more illegal living spaces for use as tourist rentals at both residential (e.g. garage or shed conversions with unpermitted kitchens and living spaces) and commercial or industrial properties.
- Persons or groups of persons renting up to twenty different homes or apartments at the same time, often without permission of the property owner, to operate de facto tourist hotels at locations that generally were previously offered as long-term rental housing.

Prior to 2014, all short-term rentals were prohibited by the City's Planning Code. However, the City was continuing to experience a sharp growth in illegal short-term rental activity. In February 2015, the City began registration of short-term residential rentals, allowing for limited short-term rental activity, for hosts who were permanent residents of the eligible residential unit. However, compliance was very limited, and the City continued to conduct enforcement primarily on an individual property basis, with limited impact on reducing the overall number of illegal short-term rentals.

The City later amended the short-term rental rules in 2016, to require hosting platforms to remove illegal listings that were involved in the operation of unpermitted short-term rentals. Those rules were challenged in Federal court, and a settlement agreement took effect in 2017 that resulted in the removal of many illegal listings. This included the removal of a significant number of listings that represented full-time and part-time tourist use of rent-stabilized apartments, affordable housing locations, commercial/industrial properties, and high-volume operators in single-family homes. The implementation of the settlement agreement also resulted in a surge of applications to legally host short-term rentals, as hosts found most of their short-term rental revenue curtailed due to de-listing of online offerings for short-term rental activity.

Prior to the settlement agreement that went into effect in 2017, short-term rental platforms were not obligated to ensure that listings were legal and properly vetted. After the settlement agreement went into effect, the City implemented an online registration system to require hosts to register their short-term rentals. The implementation of the agreement gives the City the ability to require hosting platforms to remove listings and cancel pending reservations for individual applications that have been denied. The settlement agreement allows the City to subpoena a short-term rental platform for more information about a host and the use of the host's rental if necessary.

Key Trends

- As of fall 2019, there are 2,450 approved short-term rental certificates, with each certificate tied to an individual host and individual residential unit.³³
- Since February 2015, 3,832 certificates were issued, with a portion of those certificates either subject to expiration (certificates are valid for two years), revocation (typically due to the host not being present at least 275 nights per year), suspension (typically due to building or planning code complaints for illegal construction), and hosts discontinuing short-term rental activity.
- Approximately 30 percent of short-term rental applications are denied because it does not appear the host resides in the residential unit for at least 275 nights per year (with the unit often being used as a near full time tourist hotel).
- The bulk of short-term rental activity continues to appear organized through online listing platforms, with a fraction of short-term rentals arranged through offline means.
- As applications to host short-term rentals are denied, OSTR identified a pattern where those units eventually tend to be returned to the long-term rental market, or the property is put up for sale.
- Neighborhoods such as Mission, Bernal Heights, Castro/Upper Market, and Noe Valley contain the highest concentration of registered short-term rentals with the Mission containing 13 percent of the total rentals.
- The number of both short-term rentals and owner move-in eviction notices are most frequent in the Bernal Heights, Glen Park, Inner and Outer Mission, Bayview, and Castro/Upper Market neighborhoods.
- Nearly half (49 percent) of the registered short-term rentals are in census tracts that are predominantly moderate- to high-income. Another quarter (26 percent) are in census tracts that are predominantly low-income.

Issues with Regulating Short-Term Rentals

The existing legislation limits OSTR's flexibility in its approach and operations. Any suggested changes to the existing legislation may trigger a new legal process.

The primary challenge OSTR staff encounters are the overall volume of pending short-term rental applications (over 1,000 pending applications as of fall 2019). As the 2017 settlement agreement allows hosts to offer short-term rentals while an application is pending, this results in a few hundred residential units being used as de facto tourist units, and typically represents a loss of long-term housing availability.

A smaller portion of applications are denied due to the unresolved building and planning code complaints (including overcrowding issues with six to sixteen bunk bed hostel operations), the use of

³³ A certificate may be associated with one or more online listings given the use of both competing short-term rental websites and variations of listing activity (e.g. multiple private room listings and a single whole-unit listing for the same home with varying availability throughout the year).

unpermitted commercial or industrial spaces; and the use of affordable housing units and Accessory Dwelling Units that are not eligible for registration.

The City's short-term rental law does not allow OSTR staff to deny a registration due to a prior owner move-in eviction; and the City's ability to deny an application based on a prior Ellis Act eviction (a provision of the City's short-term rental law) is currently under separate legal challenge.

The Rent Board has the most accurate data on whether a unit is rent stabilized or not. If a registrant does have a rent-stabilized unit, it is still difficult to confirm whether profits made from short term rentals do not exceed the rental amount as regulated by the rent-control ordinance.

The largest percentage of all registered STRs lie in areas where most households are moderate- to high-income. Census tracts with a higher number of STRs also have a more frequent occurrence of owner-move in (OMI) evictions. No regulations exist for listing a unit as a short-term rental if a non-Ellis Act eviction has taken place at the property in the past. OSTR staff have observed illegal short-term rental activity involving false assertions of residency by property owners at properties where there was no reported OMI eviction, but a prior long-term tenant was either paid a small sum of money to vacate, or the tenant felt they had little recourse to challenge the threat of eviction.

Issue at a Glance

In November 2018, City Attorneys secured \$2.25 million in penalties and investigation costs from two property owners who illegally rented out 14 apartments on a short-term rental listing website. The case was initially brought to the City's attention when, in 2014, the same property owners evicted tenants from their property and then converted the units into short-term rentals. The City had prohibited them from maintaining their properties as short-term rentals. Although none of the units were registered with the OSTR, which is another violation, City investigators found that all the units were listed on the short-term rental website for two years.³⁴

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather

³⁴ HYPERLINK "<https://www.sfcityattorney.org/2018/11/05/herrera-secures-2-25-million-from-scofflaw-property-owners-over-illegal-airbnb-rentals/>"<https://www.sfcityattorney.org/2018/11/05/herrera-secures-2-25-million-from-scofflaw-property-owners-over-illegal-airbnb-rentals/>

informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Assessment of existing legislation effectiveness.** As the program progresses, continue to research and monitor the effectiveness of existing legislation. OSTR could conduct an internal audit or use the Controller's office's auditing services to ensure that the existing legislation remains effective as time goes on and new services and/or platforms are being created for the short-term rental market. [Response: mitigation, Task: policy implementation, data; Resource need: •; Complex; Long term; Partners: Office of Short-Term Rentals, Controller's Office; Citywide]
 - **Benefit:** An understanding of legislation effectiveness and a framework to address possible enhancements to the process.
 - **Challenge:** Any potential revisions to the existing short-term rental law and/or Settlement Agreement could pose legal challenges.
- **Housing inventory for all units in San Francisco.** *Additional information on this can be found in Rent Stabilization and Eviction Protections summary.*
- **Owner Move In (OMI)³⁵ eviction restrictions on STRs.** Preventing properties with an owner move-in eviction from listing the property as a short-term rental can ensure OMI is not being utilized to do short-term rentals. There seems to be a correlation between the prevalence of STRs and OMI evictions in the same census tract. [Response: mitigation; Task: regulation; Resource need: •; Medium; Long term; Partners: Office of Short-Term Rentals, Rent Board; Citywide]
 - **Benefit:** Restricting units that have exercised an OMI eviction from being able to list the unit as an STR could reduce the incentive for property owners to initiate an OMI for this purpose.
 - **Challenge:** Altering qualifications for short term rentals would require adjusting existing legislation and may be subject to legal challenge.
- **Research on the impact of STRs on commercial businesses.** A localized study could be conducted to explore the impact of STRs on existing hotels, motels, and bed and breakfasts, and whether any measures could be considered in stabilizing existing commercial businesses. The analysis could also consider whether higher concentrations of STR activity in a given neighborhood results in a corresponding reduction of commercial business activity for neighborhood-serving retailers and service professionals that are typically patronized primarily

³⁵ Owner Move-In evictions allow owners to evict the tenant for the owner to live in the unit as their principal place of residence. It is restricted to one OMI per building.

by long-term residents as compared to tourists. Examples of such could include dry cleaners, tutoring centers, and retailers offering goods typically associated with long-term residency (e.g. local hardware store). [Response: mitigation and prevention; Task: data; Resource need: •; Medium; Short term; Partners: Office of Short-Term Rentals, OEWD; Citywide]

- **Benefit:** Analysis on how STRs affect existing hospitality-related businesses could help the City assess economic impacts, including, but not limited to, potential retail or commercial displacement.
 - **Challenge:** Requires additional resources and/or funding for a study.
- **Vacancy fee on unoccupied rent-stabilized units.** *Additional information on this can be found in Rent Stabilization and Eviction Protections summary.*
 - **Outreach to low-income neighborhoods with high ownership rates.** Outreach about STR opportunities and regulations could be conducted in neighborhoods that are predominantly low-income and have high home ownership rates such as: Ocean View, Outer Sunset, Parkside, Outer Mission, Excelsior, Bayview, and Visitacion Valley, among others.³⁶ [Response: mitigation; Task: program; Resource need: •; Less complex; Short term; Partners: Office of Short-Term Rentals, community partners; Predominantly low-income neighborhoods with high ownership rates]
 - **Benefit:** Information opportunities could be targeted to educate low-income homeowners about the legal opportunities to earn income by hosting a STR, and to educate residents about their ability to challenge illegal short-term rental activity (e.g. rentals where the host does not reside on-site, or rentals where the activity is taking place in unpermitted and/or unsafe spaces).
 - **Challenge:** Requires funding and resources. May have limited impact as compared to the gains in returning housing to the long-term market by focusing staff resources on false attestations of residency for pending applications.

Resources

- The Office of Short-Term Rentals: <https://shorttermrentals.sfgov.org/>

³⁶ San Francisco Indicator Project. *Proportion of Owner-Occupied Housing*. 2010

Condominium Conversion Restrictions

The Condominium Conversion Program allows property owners of apartment buildings with six units or less to convert the properties into condominiums, thus increasing property value and creating more homeownership opportunities.

Background

What is a Condominium?

A condominium is an individually-owned housing unit and a share of group-owned common area. Condominium property owners pay mortgages, property taxes, and utilities, as well as homeowners' association dues to cover group-owned common area costs. This is different from other housing ownership types in San Francisco, such as tenancy-in-common (TIC) buildings, housing cooperatives, or joint ownership buildings.

Why is the Condominium Conversion Program Important?

Loans for TICs or joint ownership buildings are conservatively underwritten with higher interest rates and down payments than a comparable condominium unit would be subject to. As a result, many TIC properties convert to condominiums, thus increasing the value of the property and establishing a clear definition of ownership in a unit of the building.

The Condominium Conversion program is available for buildings of six residential units or less. For all buildings, owners must have occupied 50 percent or more of the units for three years continuously prior to entering the annual lottery for condo conversion. The lottery is limited to 200 units per year, and as of 2016 there was a backlog of 2,000 units with owners waiting to convert through the lottery.

Key Findings

- Since 2009, the City has recorded 4,964 condominium conversions through Public Works (DPW).
- Seventy percent of the condominium conversions in 2018 (134) were in buildings with two or three units, a trend repeated from 2014 through 2017.
- There may be approximately four unauthorized units (UDUs) removed per year due to the condo conversion process due to the restriction that legalizations cannot have occurred in properties converting to condominiums.
- Many removals of flexible spaces, such as ground-floor storage rooms or rooms with wet bars, may be UDUs but cannot be confirmed due to lack of evidence of occupancy of these spaces.

What's Happening Now to Prevent Tenant Evictions and Loss of Affordable Homeownership Opportunities?

Past tenant evictions and buyouts can disqualify buildings from being converted to condominiums. Protected tenants (seniors 60+ years old, disabled tenants, and families with children) have a right to purchase or a lifetime lease if their building pursues condo conversion. Under the Expedited Conversion Program (ECP), which is available for two-unit buildings, all tenants who choose to not purchase the

property must be offered a lifetime lease that is rent-stabilized. For the annual conversion lottery, disabled or senior tenants are offered a lifetime lease and all other tenants must be offered a one-year lease.

Issues with Converting to Condominiums

Condominium conversions introduce the loss of joint ownership or shared equity homes which are relatively affordable when compared to condominiums or duplexes. In addition, condominium conversions are strictly regulated by a unit cap and may incentivize property owners to remove illegal units and tenants. The conversion of multi-unit joint ownership housing buildings to condominiums may result in a decrease in the supply of units affordable to low-income renter and owner households.⁹

TICs are generally more affordable for condominiums or single-family homes due to the contractual obligation of percentage ownerships and a more stringent loan or mortgage process. The conversion of units to condominiums may also impact the availability of these types of units on the rental market. Although it is not known what the exact number of condo-converted properties sell for on the market, condo conversion generally leads to the resale of the unit as a condominium rather than remaining as a possible rental unit. The condo conversion program may lead to the loss of these more affordable types of home ownership or rental units. Once rent-stabilized units are converted and sold, any relative affordability of units is lost.

Since the UDU legalization program went into effect after the condo conversion program, the restriction of legalized units in entering condo conversion seems to be tacked onto the program as an afterthought. As a result, one of the unintended consequences of restricting legalized units is that property owners are incentivized to remove them prior to seeking condo conversion. The condominium conversion is complex, paperwork intensive, often requires building renovations and involves a variety of outside consultants. The process goes between Public Works (DPW), Department of Building Inspection (DBI) and Planning at several levels. The identification of UDUs is ancillary to the overall application process and the information to make such an identification (building plans, interior photographs, specific notes on the issue from the in-person inspection) is not systematically available to the Planning Department.

Case Study

The Condominium Conversion regulations do not allow for buildings with legalized units to enter the lottery. As a result, some property owners apply for permits to remove potential UDUs in order to convert the property to condos and thereby increase property values. For example, a property on 12th Avenue went through the condominium conversion process as a two-unit building in December 2015. However, prior to the conversion, an unauthorized unit was discovered at the address during the inspection process. In November 2015, the property owner applied for a permit to add internal stairs between the first and second level, legalizing the first-floor level bathroom and “family room,” and removing the illegal first floor kitchen. In order to qualify for the condo conversion process, the UDU had to be removed. Legalizing the UDU would have disqualified it from the condominium conversion

process. Once removed the condo conversion application was approved. However, it is important to note that a housing unit was lost from the City's housing stock in the process.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Allow buildings containing legalized UDUs to convert to condominiums.** The condo conversion program does not allow buildings with legalized units to go through the application process. As a result, property owners may be incentivized to absorb previously illegal units into other legal units on the property before going through condo conversion. The City could consider allowing legalized units to participate in the condo conversion process either as independent dwelling units or as ADUs of the existing units on the property. If ADUs are allowed for condo converted buildings, then the legalization program could consider preserving these illegal units before condo conversion as well. [Response: mitigation, prevention; Task: regulation, policy implementation; Resource need: •, Less Complex; Long Term; Partners: DBI, Planning, DPW, Citywide Scale]
 - **Benefit:** Allowing legalized units to participate in the condo conversion process would reduce the loss of UDUs or flexible spaces from properties considering condominium conversion.
 - **Challenge:** DBI and the Planning Department would need to work together to define an illegal unit and to provide resources for property owners with illegal units seeking condo conversion.
- **Enhanced interagency coordination.** The Planning Department, DBI, and PW could convene a working group to increase communication between departments around this issue and discuss how the application process could be modified to increase the likelihood that UDUs are identified prior to condominium conversion approval. *Additional information on this can be found in Tenant Counseling, Education, and Assistance summary.*
- **Support for other types of innovative homeownership programs.** Since TICs represented a method of co-owning homes to create more affordability, the City could consider creating or supporting similar programs (such as housing land trusts, housing cooperatives, and joint ownership properties) through legislation and funding. [Response: mitigation and prevention;

Task: policy implementation, funding; Resource need: ••; Medium; Long Term; Partners: Planning, MOHCD, Citywide Scale]

- **Benefit:** Creating more avenues for affordable homeownership would help augment the variety of housing stock available in the city.
- **Challenge:** Since co-ownership or trusts create more liability for households involved, it impacts the types of loans potential homeowners can receive for such housing units.

Resources

- Public Works Subdivisions and Mapping website: <https://sfpublicworks.org/services/subdivisions-and-mapping>
- Illegal Unit Legalization resources: <https://sfdbi.org/UnitLegalization>

Stemming the Loss of Unauthorized Units

Many San Francisco residents live in homes that do not conform to existing Building, Planning, or Fire Code requirements, and, as a result, are relatively affordable to rent. Many of these units are also subject to rent-stabilization. Legalizing these homes helps increase housing security and improve safety for existing residents.

Background

What are Unauthorized Units?

Unauthorized units (UDUs) are defined in Planning Code as one or more rooms within a building that have been used, without the benefit of a permit, as a separate and distinct living or sleeping space independent from other residential units on the property. According to research conducted for the dwelling unit legalization program passed by the Board of Supervisors in 2014, approximately 30,000 to 50,000 illegal or non-conforming dwelling units exist in the City.

Why is Preserving UDUs Important?

City policy prioritizes the preservation of existing rent-stabilized housing as a cost-effective means of providing housing that is relatively affordable. These units were created without building permits and created homes out of flexible spaces in existing single-family dwellings or multi-family buildings. Since these units tend to be small and may not always be current to building or planning code, most tend to be relatively affordable or exist in older housing stock that is subject to rent stabilization regulations. However, the removal of Unauthorized Units (UDUs) from buildings removes housing stock that is relatively affordable from the market. The following summary reviews the existing UDU review process to find potential gaps in policy that can be addressed to prevent the further loss of housing.

Key Trends

- An estimated 30,000-50,000 UDUs exist in San Francisco today.
- About 140 UDUs have been legalized through the legalization program in 2017 and 2018.
- According to DBI permit data, it costs an average of \$60,000 to bring a unit up to code.
- Approximately 4 UDUs are estimated to be removed each year through the City's condominium conversion program. *Additional information on this can be found in Condominium Conversion summary.*

What's Happening Now to Prevent the Loss of UDUs?

Since May 2014, building owners have been able to legalize unauthorized units that exist on their properties.³⁷ This voluntary program applies to unauthorized units that existed prior to 2013 and have not had any no-fault (construction/demolition) eviction within past ten years. Past Ellis Act evictions do

³⁷"San Francisco Department of Building Inspection." Legalize Your Illegal Units Today | Department of Building Inspection. Accessed April 05, 2019. <https://sfdbi.org/UnitLegalization>.

not impact the legalization of a unit. While applying for legalization any related building violations are suspended and penalties are waived if the legalization process is completed within a year.

The Planning Department and Department of Building Inspection (DBI) implemented a UDU Checklist which allows a homeowner to evaluate the cost to legalize anonymously. Planning implemented a UDU Screening form for staff to use when encountering an application that seems like it might be removing a potentially unauthorized unit.

Issues with Defining a UDU

To be considered a UDU, the space must be independent from other residential units on the property, which means that the space has independent access from the public way, and there is no open visual connection to another unit (such as an interior staircase without a door). A UDU must also be an independent dwelling space that is used as a separate and distinct living or sleeping space, though it does not necessarily need to have a kitchen. DBI's definition of a UDU is different in that it is dependent on the existence of cooking facilities and does not rely on occupancy. Planning determines that a space is a "separate and distinct living or sleeping space" if staff can find evidence of occupancy in the past. Both DBI and Planning use different methods of confirming occupancy. Planning usually uses resources including, but not limited to, San Francisco voter records and Rent Board records. The methods by which a UDU is confirmed as a separate dwelling unit are inconsistent across departments and lead to the potential loss of affordable units.

Issues with Legalizing a UDU

To legalize a UDU, a property owner must pay for the cost of bringing the unit up to code. The cost of bringing a UDU up to code may be quite expensive, especially when legalizing the unit requires raising the ceiling height to minimum height requirements. In addition to paying this cost, property owners also must get an updated assessed value of the property in order to include the newly legalized unit's square footage. This may increase property taxes paid by the property owner as well.

[Sidebar] Issue at a Glance

In mid-2018, the Planning Department introduced a new resource to use at the Planning Information Counter to help planners implement a process to screen for the removal of UDUs. The resource includes common red flags to help planners identify projects that may be potentially removing a UDU. However, even if screening for a UDU may help stop the loss of these affordable but non-conforming units, the Planning Department still requires proof of occupancy in the unit before establishing it as an official UDU. The Department has established independently verifiable resources to determine if a potential unauthorized unit has been occupied in the past. However, these resources may not always be comprehensive. In the case of a duplex on 9th Avenue, the property owner wanted to remove what seemed like a possible illegal unit in 2016. City staff had recognized that the space could easily have been a separate dwelling unit as the UDU screening form describes. However, the City had accepted

other forms of proof that the space was not an illegal unit and never occupied. Therefore, the potential unit was not recorded as a UDU and could be removed.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **New data sources to confirm UDU occupancy.** Given the difficulty of confirming occupancy to formally identify a UDU, Planning could consider using other data sources such as tax records from local, state or federal sources; driver's licenses and address change data from the California Department of Motor Vehicles; school enrollment data; and, mailing address from the U.S. Postal Service. [Response: mitigation, prevention; Task: data; Resource need: ••; Medium; Long Term; Partners – Planning, Citywide Scale]
 - **Benefit:** Better sources to confirm occupancy can lead to the stabilization of additional units.
 - **Challenge:** Not all data sources are comprehensive or easily accessible as the State or Federal government agencies own and manage this data. This would require resources and funding to purchase data and/or to clean up data.
- **Regulation amendments and fees for UDU legalization.** The City could consider additional amendments to certain building, planning, and fire codes and fees in instances that do not compromise health or safety to reduce the cost of legalizing an existing UDU. Plan-check fees are already waived for unit legalization to encourage legalization, others can be considered. For example, explore reducing minimum height requirements to accommodate unauthorized units with low ceiling heights. [Response: mitigation, early intervention; Task: legislation, Resource need: •; Complexity: Medium, Long Impact, Partners – DBI, Planning, Fire, Citywide Scale]
 - **Benefit:** Making legalization of units more affordable for property owners can help reduce the chances of removing an illegal unit due to financial constraints.
 - **Challenge:** This could introduce gray areas as to what makes a space safe for habitability impacting fire and building review of legalizations.
- **Process of changing use for illegal unit improvements.** If an illegal residential unit is discovered in a commercial or non-residential space, the City could implement a quicker process to change the use to residential and prevent the potential eviction of a tenant or loss of a housing unit.

[Response: mitigation, prevention; Task: legislation; Resource need: •; Less Complex; Long Term; Partners – DBI, Planning, Citywide Scale]

- **Benefit:** Reduce the loss of converted housing, especially in areas where vacancy rates are high for commercial spaces.
 - **Challenge:** This would remove spaces for potential small business owners, and potentially create the need for more resources at Planning and DBI to process such permits or applications for land use changes.
- **Small low-interest loan and grant program to legalize UDUs.** Technical and financial assistance to low- and moderate-income owners looking to legalize a UDU (or looking to convert to a condominium with a UDU) would be an equitable way to subsidize an important source of housing for low and moderate-income San Franciscans. [Response: mitigation, prevention, early intervention; Task: funding; Resource need: •••; Medium; Long Term; Partners – Planning, MOHCD, Community Partners, Citywide Scale]
 - **Benefit:** This would help reduce overall costs to low- and moderate-income homeowners looking to legalize a unit.
 - **Challenge:** Additional resources (funding potential new program) required.
 - **Permits leading to eviction investigation.** The City could create a city enforcement mechanism to monitor and enforce compliance with eviction ordinances and temporary relocation due to repair, construction or fire, as defined in the SF Rent Ordinance. *Additional information on this can be found in the Rent Stabilization and Eviction Protection Policy summary.*
 - **Tenancy of unit confirmation during permitting process.** The City could confirm tenancy of a unit that is requesting a permit for a level of work that may result in displacement of the tenant. This would rely on a registry of rental housing in order to confirm tenancy. *Additional information on this can be found in the Rent Stabilization and Eviction Protection Policy summary.*

Resources

- Planning Legalization Program resources. Online: http://default.sfplanning.org/plans-and-programs/planning-for-the-city/accessory-dwelling-units/Legalization_FactSheet-091017.pdf
- DBI Legalization Program resources. Online: <https://sfdbi.org/UnitLegalization>

Small Sites Program

In the face of increasing pressure on tenants, the City developed the Small Sites Program with community organizations, non-profits, developers, lenders, and realtors to support non-profit and for-profit entities to successfully acquire multi-family rental buildings placed on the market and rehabilitate to preserve them.

Background

What is the Small Sites Program?

Launched in 2014, the program was created to protect low- and moderate-income tenants and establish long-term affordable housing in smaller rental properties throughout San Francisco. It is generally less costly to acquire rather than build new housing, and it is generally more effective to stabilize tenants in their existing homes rather than relocate them. The Mayor's Office of Housing and Community Development (MOHCD) operates, monitors and provides subsidies for the program, and for- and non-profit organizations are responsible for the acquisition, rehabilitation, and management of Small Sites buildings.

Since 2014, the Small Sites program has acquired 38 buildings (308 units). Additionally, 20 commercial spaces in some of the participating small sites buildings will be preserved through the program. Since its first year, the program expanded to include buildings with risk factors: ADUs, mixed-use buildings, commercial developments, SROs, and larger buildings.

As of February 2018, the average acquisition cost per unit is \$360,568, excluding closing or rehabilitation costs. The average rehabilitation costs per unit, not including construction contingency, is \$65,339. The San Francisco Housing Accelerator Fund (SFHAF) is one of several sources of funding, depending on availability and need. SFHAF allows for more rapid and flexible funding that Small Sites acquisition requires to purchase at-risk properties on the market.

Why is Preserving Small Sites Important?

The Small Sites program preserves affordable housing for low- and middle-income residents and can contribute to neighborhood and commercial stability when ground floor commercial spaces exist in acquired residential buildings.

Key Trends

- Most existing and future small sites buildings are one- to nine-unit buildings.
- Most small sites are in the eastern portion of the city in predominantly low-income neighborhoods: Tenderloin, Mission and Excelsior. This could be due to the capacity of community organizations and the building typologies in these neighborhoods. These

neighborhoods are either at risk of gentrification and displacement or experiencing gentrification and displacement.³⁸

- In 2018, Latinx residents made up 42 percent and white residents make up 30 percent of small site tenant residents. This and the trend below may be somewhat indicative of both neighborhood-based organization capacity to acquire small sites and their targeted tenant populations to protect when tenant-occupied buildings are listed for sale.
- In 2018, the majority (76 percent) of households were classified as extremely low- to low-income tenants, where income data is available.
- One third of small site units are studios and another third are one bedroom.
- Eviction rate from the program is less than 1 percent.

What's Happening Now to Enhance the Small Sites Program?

The Board of Supervisors passed Community Opportunity to Purchase Act (COPA) in April 2019, which provides affordable housing non-profits the right of first purchase and the right of first refusal should a landlord decide to sell a multifamily residential building of at least 3 units or land that is zoned to accommodate at least 3 dwelling units. MOHCD is tasked with implementing COPA.

In April 2019, Supervisor Fewer introduced an ordinance to amend the Administrative Code to establish the Affordable Housing Production and Preservation Fund. This Fund will receive 50 percent of all projected excess Education Revenue Augmentation Fund (ERAF) revenue for the purpose of funding land acquisition and production of new 100 percent affordable housing projects as well as acquisition and preservation of existing housing to make that housing permanently affordable. The Board of Supervisors passed the ordinance in June 2019. The Housing Affordability Strategy is currently investigating potential funding sources to produce and preserve affordable housing in the city.

The San Francisco Housing Accelerator Fund (SFHAF) and Council of Community Housing Organizations (CCHO) are convening Peer Preservation Learning forums with community organizations to discuss housing protection and preservation opportunities related to the Small Sites Program.

MOHCD is developing a "Large Sites" acquisition program for larger buildings (25 to 100 units), which would offer greater opportunities to subsidize units at deeper affordability levels.

Issues Related to Small Sites Preservation

The biggest challenge to the Small Sites Program is San Francisco's inflated market prices. Without a market intervention, the program is forced to operate within a hot market. Therefore, organizations are competing to purchase buildings at inflated costs, limiting the number of buildings that can be acquired at any given time. This creates a challenge for the program: to use the limited resources to purchase larger, more cost-effective buildings for long-time preservation of affordable housing; or, to purchase

³⁸ UC Berkeley Urban Displacement Project. Online: <https://www.urbandisplacement.org/map/sf>

smaller, higher-cost units where tenants are at imminent risk of eviction. Eviction activity is happening more frequently in the two- to four-unit buildings.

Currently, there are six community organizations utilizing the Small Sites Program, of which only a few are implementing the program outside of their “host” neighborhood. This leaves limited service in most areas of the city that are eligible. Additionally, participating project sponsors receiving City subsidies to perform housing preservation work must have a high capacity and previous history of development. While other organizations may express interest in participating in the program, an inexperienced portfolio and/or low staff capacity may preclude them from participation. Most of the site selection is opportunity-driven.

City funds are always used to cover gap financing in the acquisition of small sites, yet limited resources restrict the number of projects that can be acquired. There is a need for dedicated equity for acquisition; otherwise the scale of the program will be limited. Currently, the only dedicated source of funds is a portion of in-lieu fees and the rest are one-off or sources that are volatile, short-term, and dependent on the real estate market.

Smaller sites also have steeper compliance challenges than larger- and moderate-sized acquisitions and rehabilitations. Small buildings, often operated by non-professionalized individuals or mom-and-pop businesses, tend to need the most improvements. When buildings get acquired through the Small Sites Program, the rehabilitation needed to bring smaller buildings up to code is much costlier and more burdensome. The rigorous rehabilitation requirements can consume all an organization’s resources and prevent them from acquiring more buildings.

MOHCD currently collects detailed demographics data on households participating in the Small Sites program. This has been helpful in monitoring and tracking progress of the program. However, some of the data has gaps and does not provide a complete picture of the households and commercial tenants that are in the program.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Increase program efficiency through policy changes**

- **Eligibility criteria of small sites clarification.** Creating metrics based on displacement and gentrification risk, risk of eviction, building size and unit type could inform Small Sites Program priorities. Residents of eligible buildings that fall outside of these criteria could be redirected to a different program, such as the BMR Program. [Response: mitigation; Task: funding, data, regulation; Resource need: More information required; Complex; Long term; Citywide scale; Partners: MOHCD, San Francisco Housing Accelerator Fund (SFHAF), community partners]
 - **Benefit:** Clarification of selection criteria could potentially alleviate the preservation versus anti-displacement challenge that the Small Sites Program is currently experiencing.
 - **Challenge:** Narrowing the scope of eligibility for small sites could impact prospective acquisitions and reduce the overall number of small sites acquisitions.
- **Small Sites Program and process review.** The Small Sites Program does not currently have a process in place to comprehensively assess for adjustments. MOHCD staff could explore working with partners in the program (nonprofit organizations, lenders, realtors, tenants, etc.) to develop a set of metrics or targets for evaluation and process for which to monitor these metrics. As tenants have previously declined participation in the program, data on why they made this decision would also be a useful tool for program evaluation. These assessments could be incorporated into MOHCD's annual report of the Small Sites program. [mitigation; data; •; Less complex; Short term; Citywide; Partners: MOHCD, community partners]
 - **Benefit:** Expanding data collection could help further amendments to the small sites program.
 - **Challenge:** Getting more information and storing this data requires additional staff resources. Tenants may not be comfortable providing the requested information.
- **Systematic and proactive site identification.** Various City agencies, such as Planning and MOHCD, receive timely information on foreclosures, property transfers, and major rehabilitations. If shared with non-profits, this information could provide a signal that these buildings could become Ellis Act evictions or buy-outs. Equipped with this information, non-profits would be aware of potentially eligible properties earlier in the process, have more opportunities to acquire buildings and protect existing tenants. Finding a way to systematize the identification and use of these "trigger points" would facilitate the implementation of Small Sites Program process. Preventing evictions or buy-outs is more affordable than an acquisition or rehabilitation once the building has already been sold and purchased by private investors. [Response: prevention; Task:

data; Resource need: •••; Medium; Long term; Citywide; Partners: MOHCD, San Francisco Housing Accelerator Fund (SFHAF) community partners]

- **Benefit:** Organizations and agencies interested in preserving affordable units can be notified ahead of time in order to gather funds and other needs for acquisition in a timely manner.
 - **Challenge:** Such a notification will most likely need to be public information, thus giving everyone a fair chance at acquisition but potentially creating bidding wars.
- **Non-profit capacity-building.** Expanding the reach of the Small Sites Program and the organizational capacity to support it can be achieved through an increase in outreach and information dissemination to tenants in other eligible areas through partnerships with homeownership counseling agencies and tenant counseling organizations. Neighborhoods with fewer Small Sites do not have dedicated community organizations with experience in property acquisition, development, and management. Building non-profit capacity in neighborhoods experiencing high eviction rates and hosting several eligible buildings for the program could expand the use of the program to areas of need in the city. Additionally, non-profits identified gaps needed to support preservation: tenant relocation, marketing and leasing up, and property management; and, they requested training to expand these service areas. [Response: early intervention, prevention; Task: funding, policy implementation; Resource need: ••; Medium; Long term; Neighborhood-based; Partners: MOHCD, San Francisco Housing Accelerator Fund (SFHAF), community partners]
- **Benefit:** Improved efficiency of the Small Sites Program increases its potential to be scaled up, allowing for more buildings to be acquired and preserved and more at-risk tenants that could be stabilized.
 - **Challenge:** These changes can be costly and time intensive, which could hinder the program's ability to serve at-risk tenants.
- **Affordable housing acquisition through Community Opportunity to Purchase Act (COPA).** The Board of Supervisors recently passed COPA, which provides affordable housing non-profits the right of first purchase and the right of first refusal could a landlord decide to sell a multifamily residential building of at least three units or land that is zoned to accommodate at least three dwelling units. [Response: prevention; Task: policy implementation; Resource need: ••; Medium; Long-term; Citywide; Partners: MOHCD, Non-profit developers, community partners]
- **Benefit:** Greater opportunity for non-profits to acquire affordable housing at-risk and ensure it remains affordable. Preventing eviction of tenants who might be at risk from a sale.

- **Challenge:** Limited funding to support acquisition efforts. Need to build community capacity to purchase and manage buildings throughout the City.
- **Planning fee and code changes to improve program efficacy.**

The addition of ADUs in Small Sites projects could be prioritized and their approval be streamlined and under the Planning Department’s Flex Team. The Small Sites program would benefit from ADU fee waivers through the City process. [Response: mitigation; Task: regulation, policy implementation; Resource need: ••; Medium; Short term; Citywide scale; Partners: Planning Department]

 - **Benefit:** Changes to the Planning Fee and Code can help project sponsors allocate more funding towards acquisition and rehabilitation of more buildings.
 - **Challenge:** Changes to the Planning Fee and Code can be a lengthy process.
- **Increased and Consistent Funding**
 - **Consistent funding for housing preservation.** There is an opportunity to identify a consistent source of funding for both affordable housing preservation and production. The Small Sites Program could receive a portion of the funding depending on good purchase opportunities. Currently, project sponsors rely on the Small Sites Program development fees to cover their staffing costs, which only get received upon approval of the project. Securing funding to do technical assistance would build the capacity of other non-profits who want to utilize the SSP to acquire and rehabilitate properties. This would also help ensure that the portfolio and knowledge is shared amongst various organizations, as well as increase the geographies and populations served. Funding could also provide renovations to minimize maintenance costs. [Response: mitigation, prevention; Task: funding; Resource need: •••; complex; long term; Citywide scale; Partners: MOHCD, community partners]
 - **Benefit:** A higher and more predictable amount of funding would allow the program to scale up and increase its pace acquisition.
 - **Challenge:** Limited funding is available and allocating more resources towards acquisition and preservation could take away funding from new affordable housing production.
 - **Identify additional funding sources.** The San Francisco Housing Accelerator Fund (SFHAF) has helped and can continue to help close on projects while waiting for funds to catch up to demand and would alleviate MOHCD’s current cash flow issue. However, the HAF program also does not have a dedicated source of funding. Another funding option that stakeholders suggested was an anti-speculation tax. [Response: prevention; Task: funding; Resource need: More information required; Complex; Long term; Citywide scale; Partners: MOHCD, SFHAF, community partners]

- **Benefit:** A higher and more predictable amount of funding would allow the program to scale up and increase its pace acquisition.
- **Challenge:** Limited funding is available and allocating more resources towards acquisition and preservation could take away funding from new affordable housing production.

Resources

- MOHCD's Small Sites Program webpage: <https://sfmohcd.org/small-sites-program>
- San Francisco Accelerator Fund webpage: <https://www.sfhaf.org>

Housing Production and Preservation

Community instability is driven in large part by extremely high housing costs and lack of affordable housing in San Francisco, particularly for people with low and moderate incomes. Given the importance of affordable housing to the stability of our diverse communities, the following sections of the report inventory programs, policies, and investments that have produced and preserved affordable housing. The Planning Department's Housing Affordability Strategies (HAS) project, to be released in early 2020, will look at additional policies to improve affordability including production and preservation of more affordable housing and production of housing in general. The HAS will build on the inventory of housing production, preservation, stabilization, and protection policies identified in this report.

The city has an approximately 33,000 affordable housing units (about 8.5 percent of all housing) that are subsidized to be affordable to low- and moderate-income households. The units have been built or acquired using a variety of policies and programs including public investment from federal, state, and local programs as well as inclusionary units required as part of market-rate housing developments. The inventory of affordable housing policies and programs is organized as follows:

- **Publicly Funded Affordable Housing, Rental Assistance, and Homeless Services**

This section looks at the bulk of affordable housing provided through direct government investment and funding. It also looks at other important public investments in housing affordability including rental assistance programs and services and housing for homeless people and families. Sections covering these programs and policies include:

- 100% Affordable Housing Production and Preservation

This section includes the following:

- Funding Affordable Housing
- Policies to Support 100% Affordable Housing Production
- Affordable Housing Preservation
- Public Housing Preservation
- Housing Choice Voucher Rental Assistance (Section 8)
- Homeless Services and Supportive Housing

- **Inclusionary Housing and Leveraging Market Rate Development**

San Francisco requires new residential buildings of 10 or more units to include on-site affordable units (inclusionary housing) or pay in-lieu fees that fund 100 percent affordable housing. Programs such as Home-SF and the City's practice of negotiating development agreements allow the City to leverage more affordable housing from developments in exchange for added height and/or number of units.

- Inclusionary Housing
- Home-SF
- Development Agreements

- **Accessory Dwelling Units (ADUs)**

ADUs are rental units added to existing residential buildings. While ADUs are not restricted to serve low- and moderate-income households, they can be a cheaper way to add new housing and therefore are more likely to have lower rents. In addition, ADUs added to rent-controlled buildings are often also subject to rent-control.

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100% Affordable Housing Production and Preservation

100 percent affordable housing in the city includes developments built or acquired with a variety of federal, state, and local programs.

Background

Older 100 percent affordable developments have been built through specific federal programs including Public Housing, administered locally by the San Francisco Housing Authority, and loans and grants from the U.S. Department of Housing and Urban Development (HUD).

Since the late 1980s most new affordable housing in San Francisco and the nation has been built using federal Low-Income Housing Tax Credits (LIHTC) along with local and state funds. Local redevelopment agency dollars were the main source of local funding until 2012 when redevelopment ended. Since that time San Francisco has relied on other local sources to fund affordable housing. State loans and grants, available in certain periods over recent decades also have helped fund affordable housing in the city.

San Francisco has focused its affordable housing investment on buildings owned and managed by nonprofit affordable housing developers and community-based organizations. However, some older buildings may have been developed by for-profit companies or nonprofit organizations with limited experience and commitment to providing housing. Preserving this affordable housing over the long term will require ongoing efforts from the city moving forward. In addition, public housing was chronically underfunded in Federal budgets for decades, resulting in severe habitability problems. As a result, San Francisco is using a combination of federal and local initiatives including the Rental Assistance Demonstration (RAD) program and HOPESF to rehabilitate or rebuild all public housing units in the city.

Five neighborhoods in the eastern part of the city hold 60 percent of all the city's affordable units: Tenderloin (18 percent), South of Market (12 percent), Western Addition (11 percent), Bayview Hunters Point (11 percent), and the Mission (8 percent).³⁹ These concentrations of affordable housing are driven by various factors:

- Historic concentrations of housing serving lower income people have led to preservation efforts that have retained or expanded affordable housing in these neighborhoods.
- Community-based nonprofit organizations active in certain neighborhoods have been leaders in the development and preservation of affordable housing.
- Redevelopment was one of the main methods to fund affordable housing and affordable housing tends to be concentrated in former redevelopment areas.
- Areas with more housing development in general tend to have more investment in affordable housing because these areas are more likely to be zoned for multifamily housing and more likely to receive funding generated by nearby market rate development.

³⁹ http://default.sfplanning.org/publications_reports/Housing-Needs-and-Trends-Report-2018.pdf

Funding Affordable Housing

Public funding for affordable housing production and preservation is crucial to cover the gap between the cost of developing, operating, and maintaining housing of decent quality and the revenue generated from rents that are affordable to people of low and moderate incomes.

Background

How is Affordable Housing Funded?

Typically, affordable housing developers must combine several funding sources to cover the cost of affordable housing construction or acquisition and rehabilitation. The ability to access federal and state funding as well as private investment is usually contingent on the availability of local subsidy making San Francisco's local funding crucial to affordable housing production and preservation efforts. The Mayor's Office of Housing and Community Development (MOHCD) estimates that for every local dollar of subsidy up to two dollars of additional investment in affordable housing is generated.

Nationally the largest subsidy for affordable housing development⁴⁰ is the [Low-Income Housing Tax Credit \(LIHTC\)](#), a federal tax credit given for investment in affordable rental housing. Despite its importance, LIHTC covers only a portion of affordable housing development costs and without funding provided by local government it is nearly impossible to leverage tax credits and other sources to make affordable housing financially feasible. In addition, construction and land costs are much higher in San Francisco than most other parts of the state or country make local funding more essential to affordable housing.

San Francisco's Funding and Expenditures for Affordable Housing

The Mayor's Office of Housing and Community Development (MOHCD) administers most of San Francisco's local affordable housing funding and works with affordable housing developers and state and federal agencies to assemble the financing needed for affordable housing developments. San Francisco's voters and elected officials have established several local funding sources for MOHCD's affordable housing production and preservation investment including:

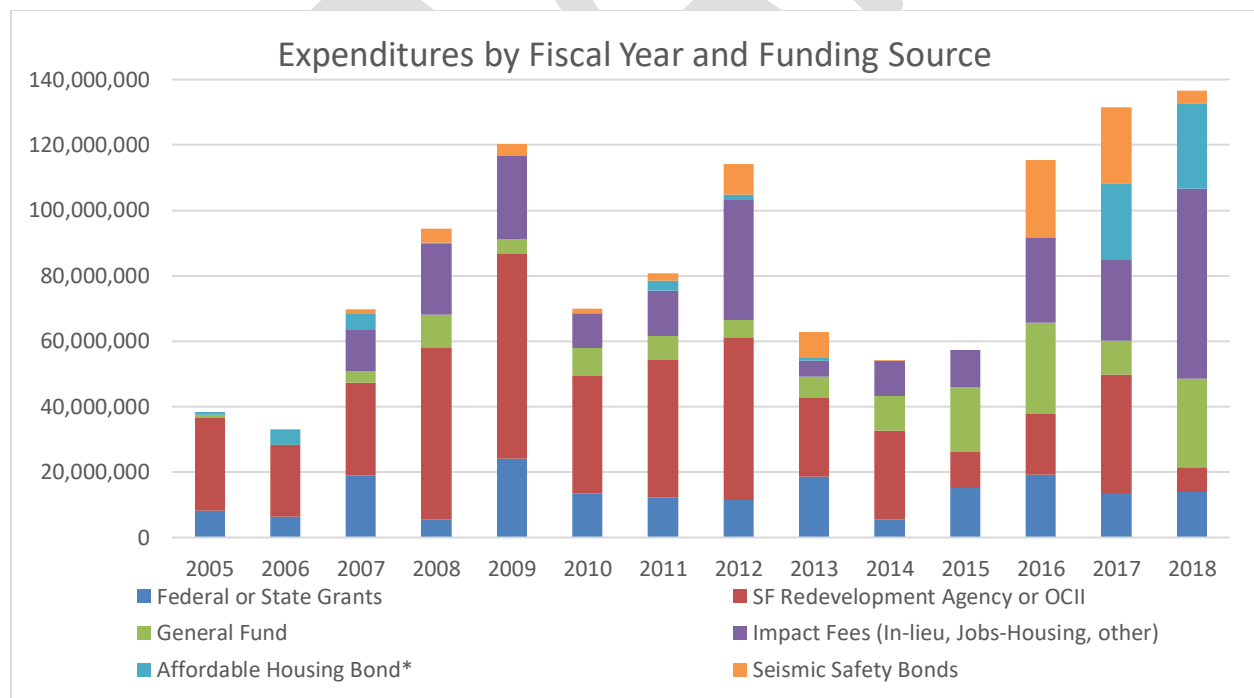
- Local tax revenue invested from the City's general fund,

⁴⁰ Affordable housing development is not the largest government housing subsidy program. At over \$70 billion per year, the federal mortgage interest deduction, which primarily benefits higher income homeowners, is by far the largest government housing subsidy. Homeowners can also deduct local property taxes from their income. For lower income renters the largest subsidy is tenant [rental assistance](#), often called [Housing Choice Vouchers \(HCVs\)](#) or [Section 8](#), which helps lower income renters afford housing in the private market. In some cases, rental assistance in [project-based](#), providing deeper affordability for tenants in specific housing developments. Because federal funding for rental assistance is limited, most households that could qualify for assistance based on income and need do not receive rental assistance. For more on government housing spending see the Center on Budget and Policy Priorities (CBPP) analysis of federal spending and housing needs: <https://www.cbpp.org/research/housing/chart-book-federal-housing-spending-is-poorly-matched-to-need>

- In-lieu fees paid by developers of market-rate housing who choose not to include affordable housing on site under the City's Inclusionary Housing Program,
- Jobs-housing linkage fees paid by developers of new office space,
- Voter-approved affordable housing bonds, and state and federal funds like HOME dollars that the city receives.

Up until 2012, the largest source of local affordable housing funding in San Francisco and other cities and counties in California came from Redevelopment Agencies and the revenue they raised through tax increment financing (TIF). Redevelopment was ended in California in 2012 reducing this source, however, San Francisco's Office of Community Investment and Infrastructure (OCII) manages the implementation of already approved redevelopment plans and continues to fund affordable housing that was already designated for development as part of these redevelopment area plans.

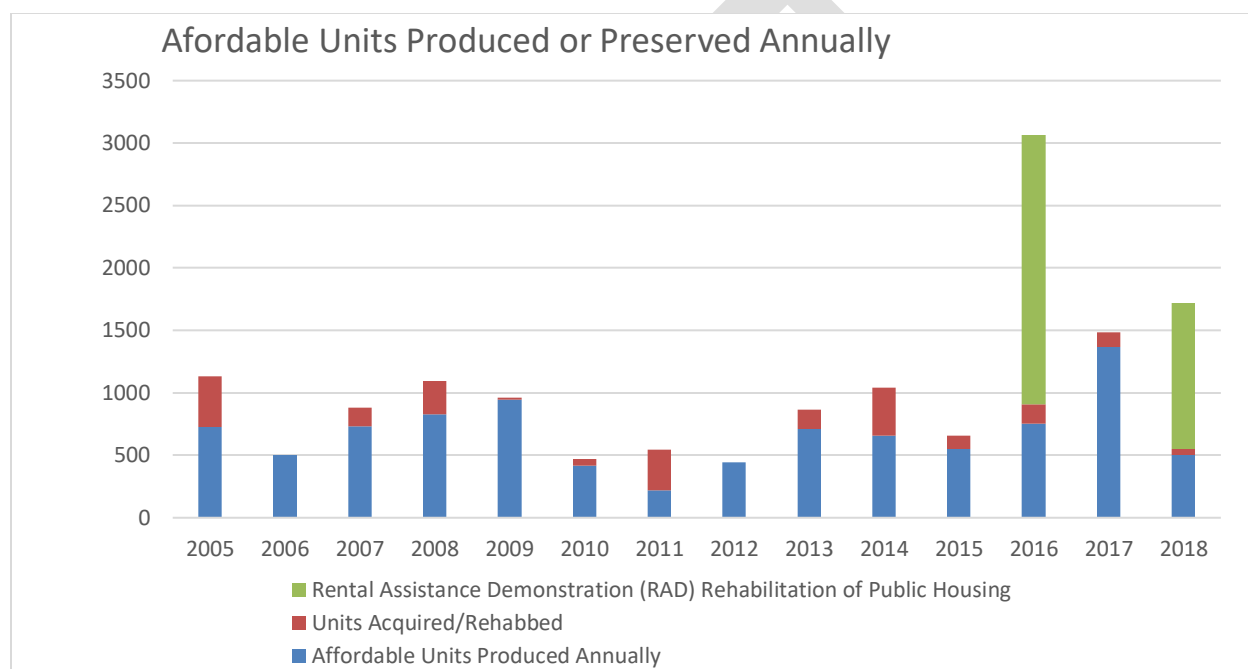
The following chart shows San Francisco's affordable housing expenditures from 2005-2018 by funding source. Expenditures vary widely from less than \$40 million in some years to nearly \$140 million in other years due to the variability of the funding sources. Up until 2012, Redevelopment provided well over 50 percent of annual affordable housing funding. Since then, Redevelopment has declined and other sources, such as impact fees, have increased in importance. Many of these funding sources are one-time allocations (housing bonds) or fluctuate annually with economic and budgetary conditions (in-lieu fees, jobs housing linkage fees, general fund contributions, and federal and state grants).



The amount of local funding available annually determines how much affordable housing is produced or preserved and how quickly affordable housing projects are completed. Affordable housing development

sites can sit for years and preservation opportunities may be missed due to lack of funding. The number of units produced and preserved annually reflects the variability in funding shown in previous charts ranging from less than 500 units to nearly 1500 units in different years.

Annual funding expended does not neatly align with annual units produced or preserved because permitting, financing, constructing, and certifying housing for occupancy may not occur in the same year funding was provided. In addition, MOHCD may fund an affordable development over several years including site acquisition, predevelopment work, and construction. In 2016 and 2018 the city provided local funding and was able to use federal funding available through the RAD program along with tax credits and private investment to rehabilitate over 3,000 affordable housing units owned by SFHA.



Key Trends

What Are New Funding Initiatives?

In 2018 over 61 percent of San Francisco voters approved Proposition C to provide permanent funding for homeless programs including housing through a gross receipts tax on businesses that have revenues over \$50 million per year. If implemented, Proposition C is estimated to generate \$300 hundred million annually for homeless programs. The Proposition currently faces a legal challenge about whether it met California’s voter approval requirements applicable for some local taxes.

In September 2018, Mayor London N. Breed announced a commitment of \$100 million in City funding to purchase affordable housing made using modular construction built in San Francisco.⁴¹ The commitment represents the first production order for a new modular housing facility that will be built in

⁴¹ <https://sfmohcd.org/article/mayor-breed-commits-spending-100-million-affordable-modular-housing>

the City in partnership with the San Francisco Building Trades. In early 2019, Mayor Breed also announced a ballot measure that would amend the charter to guarantee as-of-right approval for 100 percent affordable housing if the development meets local regulations.

In April 2019, Supervisor Fewer introduced an ordinance to amend the Administrative Code to establish the Affordable Housing Production and Preservation Fund. This Fund will receive 50 percent of all projected excess Education Revenue Augmentation Fund (ERAF) revenue for the purpose of funding land acquisition and production of new 100 percent affordable housing projects as well as acquisition and preservation of existing housing to make that housing permanently affordable. The Board of Supervisors passed the ordinance in June 2019.

In May 2019, Mayor Breed and Board of Supervisors President Norman Yee announced a \$600 million Affordable Housing Bond, which would fund the creation, preservation, and rehabilitation of affordable housing in San Francisco.

Issues Related to Funding Affordable Housing

The variability of local funding sources and the need for multiple sources to help make an affordable housing project feasible leads to inconsistent numbers of affordable housing produced or preserved year over year. The ability to leverage federal and state funding and use innovative and flexible funding sources also depends on local funding availability. The crucial role that local funding plays in production and preservation of affordable housing and protections for current residents emphasizes the need to sustain and expand consistent affordable housing funding to the extent possible.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Increase affordable housing funding.** Continue to pursue additional funding through local and regional bond measures, among other potential sources. Federal and State funding for affordable housing has dropped significantly in recent decades, leaving local municipalities to increasingly find alternative funds for 100 percent affordable housing projects. [Response: mitigation; Task: funding; Resource need: More information required; Complex; Long term; Partners: MOHCD; Citywide]
 - **Benefit:** Additional sources would provide an increased, stable stream of funding for affordable projects.

- **Challenge:** Some sources rely on significant voter support, such as placing new bond measures on the ballot.

Resources:

- U.S. Department of Housing and Community Development Low-Income Housing Tax Credits.
Online: <https://www.huduser.gov/portal/datasets/lihtc.html>

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Policies to Support 100% Affordable Housing Production

In recent years, the Planning Department has either initiated or implemented several programs aimed at increasing the amount of affordable housing built in San Francisco and speeding the review process for 100 percent affordable projects.

What's Happening Now to Support 100% Affordable Housing Development?

Approval Process Streamlining

Senate Bill 35 is a state law, passed in 2017, which allows for ministerial approval of housing projects that include at least 50 percent of units affordable to low-income households (80 percent AMI or below), and meet several other eligibility requirements. In San Francisco, the primary beneficiaries of this law are 100 percent affordable projects, which, if found eligible, are exempt from CEQA review (including appeals) under the law. In response to the law's passage, the Planning Department prepared detailed information and application materials, which were ready and available to the public the day the law went into effect. As of late 2019, 9 developments are utilizing SB35 to streamline the approval process of the housing projects. These projects propose a total of 1,177 units.

100 percent affordable housing projects which do not qualify for SB35 ministerial review may still qualify for an administrative review process under Planning Code Section 315. 100 percent affordable housing projects may seek exceptions that are offered under several other entitlement types, including Downtown Project Authorizations, Large Project Authorizations, and Planned Unit Developments. The primary benefits Section 315 offers are priority processing, a streamlined review process, and exemption from Planning Commission hearings and Discretionary Review.

Incentives

The 100 percent Affordable Housing Bonus Program (AHBP)⁴² was developed along with the HOME-SF program and offers 100 percent affordable projects greater height (up to three stories), form-based density, and a set of prescribed exceptions from existing zoning. The 100 percent AHBP applies throughout the city, in any district that allows residential uses except for RH-1 and RH-2 zoning districts. The program now also offers administrative review like Section 315, with no requirement for Planning Commission review and no Discretionary Review.

Assembly Bill 1763 (Representative Chiu) would amend the State Density Bonus Law to give 100 percent affordable housing projects additional incentives, including relief from local density controls, and up to three additional stories of height above local height limits. It was approved in the State Assembly in May 2019 and will need to pass the State Senate before heading to Governor's desk in the fall.

As of 2018, 1 project located in the Mission neighborhood is utilizing the 100 percent AHBP program and has added 32 units above the original 62-unit count.

⁴² http://default.sfplanning.org/plans-and-programs/planning-for-the-city/ahbp/homesf_legislation_05082017.pdf

Issues Related to Supporting 100% Affordable Housing Production

All programs described in this section include several eligibility criteria designed to ensure qualifying projects serve specific income targets, do not trigger significant environmental impacts, and respect local priorities. For example, SB 35 does not apply to potential developments which are located “within a coastal zone, prime farmland, wetlands, a high fire hazard severity zone, hazardous waste site, a delineated earthquake fault zone, a flood plain, a floodway, a community conservation plan area, a habitat for protected species, or under a conservation easement”.⁴³ The 100 percent AHBP, a locally developed and adopted program, does not allow a 100 percent affordable project to demolish any existing residential unit (whether occupied or not), or to seek any additional, more flexible state programs and bonuses for affordable housing.

The City and state programs for 100 percent affordable housing generally streamline entitlement or environmental review processes, offer limited exceptions from local standards or development bonuses. However, all current programs rely on base zoning that a) allows residential uses and b) allows residential densities high enough to make sense for an affordable housing developer. This generally excludes areas of the city zoned P (Public) or PDR (Production, Distribution, and Repair), where housing is not allowed, and RH (Residential House), where only one, two or three units are allowed on each parcel. Together, these zones make up 63 percent of the city’s parcels. On parcels in these zones where a 100 percent affordable project might be appropriate, a potential project sponsor would need to pursue a rezoning, adding time and cost to an already complicated and expensive development process.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Streamlining and bonus program opportunities**
 - **Create additional streamlining and bonus programs for 100 percent affordable housing projects.** As San Francisco and California’s affordable housing crisis continues to worsen, local and state elected officials are increasingly looking to streamline the approval process for all types of housing, particularly for 100 percent affordable projects. There is broad consensus that increased funding for affordable housing must

⁴³ http://forms.sfplanning.org/SB35_SupplementalApplication.pdf

also be paired with legislation and programs that allow for more affordable housing to be built faster. [Response: mitigation; Task: regulation, policy implementation; Resource need: •; Medium; Long term; Partners: Planning Department; MOHCD, Non-profit Developers; Citywide]

- **Benefit:** Implementing process improvements would allow 100 percent affordable housing projects to be built faster, and to more quickly address the large backlog of affordable housing lottery applicants.
- **Challenge:** It requires more resources to identify which processes these types of projects can bypass, and to assign dedicated staff to processing these projects.

- **RH and non-residential district possibilities.** The City could assess the potential for affordable housing production in RH and non-residential districts and explore legislation and programs that would allow and/or streamline 100 percent affordable housing projects in those districts. An appropriate first step might be to assess potential sites for affordable housing across the city, focusing on zoning districts which don't allow housing, or which are zoned only to allow low densities. [Response: mitigation; Task: data; Resource need: •; Complex; Long-term; Partners: MOHCD, Board of Supervisors; Citywide]
 - **Benefit:** This analysis could help the Department and decisionmakers determine whether a large-scale program to allow and streamline affordable housing developments in these districts is necessary, or whether targeted rezoning might be enough. Either approach would likely require intensive community outreach, to determine the appropriate path forward.
 - **Challenge:** This would require more resources and research to determine any issues streamlining may present.

- **Using public land for affordable housing.** Underutilized public land, such as bus yards or transit station parking lots, may be optimal for affordable housing since land costs could be subsidized. In 2014, late Mayor Ed Lee directed City agencies to explore underutilized sites to examine their potential for housing. The working group shaped a vision of the Public Land for Housing as a method of maximizing land use and opportunities for public benefit. [Response: mitigation; Task: policy implementation, regulation icon; Resource need: •••; Complexity: Complex; Long term; Partners: MOHCD, Board of Supervisors; Citywide]
 - **Benefit:** Develops underutilized sites for housing and helps create greater public benefit on these sites than the existing use.
 - **Challenge:** Requires additional research into how the existing use and proposed use of housing can coexist, requires that the underutilized site be in reach of existing public facilities and services.

- **New construction methods.** As construction costs increase, builders of residential projects are increasingly turning to alternative methods of construction. Modular construction, where many

components of a building are constructed in a factory, and then assembled on-site, can reportedly reduce construction cost and duration by up to 30 percent. Cross Laminated Timber (CLT) is another emerging construction technology, which could allow taller buildings to be built without requiring expensive steel and concrete construction materials.

[Response: mitigation; Task: regulation; Resource need: •••; Complex; Long term; Partners: MOHCD, Board of Supervisors; Citywide]

- **Benefit:** Reduces the construction cost of new housing units.
- **Challenge:** May impact labor laws in place, and certain size limits exist for each unit in terms of length and width thus supporting this use for smaller dwelling units and not necessarily large family-sized units.

Resources

- MOHCD's 100 percent Affordable Housing Developments webpage:
<https://sfmohcd.org/affordable-housing-developments>

Affordable Housing Preservation

The City is home to over 28,000 affordable housing units that were built with U.S. Department of Housing and Urban Development (HUD) subsidies, provide deeper affordability to lower income households, and are at-risk of converting to market rate housing.

Background

Today when City and state agencies provide funding for affordable housing, they require legal agreements that maintain affordability at specific levels for specific time periods, often 55 years or longer. In addition, most of San Francisco's funding for affordable housing goes to nonprofit, mission-driven organizations committed to long-term affordability. In the past, however, federal, state, or local affordable housing programs had affordability restrictions that could expire within a few decades, allowing conversion to market-rate rents.

Importance of Preserving At-risk Affordable Housing

The affordable housing built with HUD subsidy in combination with other federal, state, and local subsidies represents a unique resource that provides deeper affordability to lower income households. Many of these older HUD properties have project-based rental assistance (PBRA) contracts provided by HUD directly to these properties which allows tenants to spend no more than 30 percent of income on rent. In addition, the PBRA provides rents based on fair market rents, helping to sustain the operation and maintenance of these aging buildings. HUD developments serve concentrations of low-income people and people of color and many of the existing households have aged in place and are now very-low- or extremely-low-income seniors relying on a fixed income.

What Are the Risks of Conversion to Market Rate?

When this HUD housing was created, long-term rent or resale restrictions were placed on the buildings to ensure they would be affordable for at least 20 years. As buildings reach the end of these 20-plus year terms, if federal, state, or local subsidies are not renewed by building owners, affordable units are at risk of converting to market-rate rents. The private building owners can choose to pay off their subsidized loans, not replace them with other public financing, and not renew rental subsidy contracts. Or the regulatory agreements can simply expire with no other requirements put in place.

Without intervention, market-rate conversion of these units and buildings will result in the loss of affordable housing and the potential displacement of existing low- and moderate-income residents since current market-rate rents in the city are not affordable to low-income households. If a building ends its affordability restrictions and its PBRA contract ends, individual tenants may receive a rent assistance voucher based on their income eligibility, but the long-term resource of affordability for that building, the community, and the city will end.

State and Local Policies Supporting Housing Preservation and Tenant Stabilization

State law requires owners to provide notice when affordability restrictions will expire or when owners are considering conversion to market-rate. The City also has an ordinance providing right to purchase

publicly-funded affordable housing with expiring affordability restrictions. Preservation of at-risk affordable housing, rehabilitation of public housing owned by the San Francisco Housing Authority (SFHA), as well as acquisition of privately-owned housing that serves lower-income renters through the Small Sites Program all depend on local funding just as production of new affordable housing does.

Tenant Preference programs for city affordable housing programs (discussed in the section on tenant protections and services) include preferences for tenants adversely impacted by situations like the above where affordability covenants or other affordable housing restrictions are expiring. This new preference ensures impacted tenants will secure new affordable housing, and that, when used in conjunction with neighborhood preference, such housing will be in the same neighborhoods where tenants live if the tenants so chose, mitigating displacement.

At-risk Status of Affordable Developments

Different buildings have different levels of risk for market-rate conversion. Buildings that still have affordability restrictions in place may still be at risk for market-rate conversion. The risk level is based on how soon a building's affordability restrictions are set to expire and the type of entity that owns the building. Those that have contracts expiring sooner are obviously at higher risk. And those that are owned by a for-profit entity, an entity whose mission does not include affordable housing, or a resident board without expertise in affordable housing are also at higher risk.

The risk categories are defined as:

- Expired = no affordability restrictions in place
- Very High Risk = expiring affordability within the next 365 days, and owner is not mission-driven housing nonprofit
- High = expiring affordability in the next 1-5 years, and owner does not have affordable housing mission.
- Moderate = expiring affordability in the next 5-10 years
- Low = expiring affordability in 10 years or more

There are 405 units that are Very High Risk and 273 units that are High Risk. Owners of some of these buildings have shown interest in converting the housing to market rate or selling to another entity for capital gain. There are 1,807 units that are Moderate Risk and 27,501 units that are Low Risk. These are lower risk buildings because they have been newly constructed or refinanced with 55-year regulatory agreements with MOHCD or SFHA owning the land and mission-driven nonprofits owning the buildings.

Fortunately, to date, the 1,491 units in buildings where affordability covenants have expired or been terminated remain affordable today because building owners continue to keep them affordable as they work with MOHCD to figure out a long-term plan. In most cases, they have been able to increase the affordability term by entering into extensions or new agreements. The City is working to preserve long-term affordability and prevent displacement at these buildings as well as others scheduled to expire.

Risk Status of Subsidized Affordable Housing⁴⁴

Risk Level for Market-Rate Conversion	Number of Units by Risk Level
Expired	717
Very High	405
High Risk	273
Moderate Risk	1,807
Low Risk	27,501

In addition to the need to preserve the affordability of these buildings, there is also a critical need to maintain and improve their physical conditions. In many cases, the federally-funded buildings are nearing 50-60 years old and have been minimally maintained. They are in serious and often urgent need of substantial capital improvements—if not complete rebuilds—to ensure life safety and habitability for the residents. These substantial improvements require complete systems replacement including plumbing, electrical, roofs, accessibility upgrades, new windows, and extensive dry rot mitigation.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Right to purchase invocation.** There are two local laws that could be used to preserve subsidized housing when it is being sold on the market. The Assisted Housing Preservation Ordinance, or Chapter 60 of the San Francisco Administrative Code, passed in 1990, requires property owners of publicly subsidized housing to notify the City of their intention to opt out of their affordability requirements and provides interested parties with a process to make an offer to purchase the building. The Community Opportunity to Purchase Act (COPA), which will be implemented September 2019, requires owners to notify Qualified Non-Profits of its intention

⁴⁴ State and federal data provided by California Housing Partnership Corporation (CHPC). Local funding data provided by MOHCD. Public Housing data provided by HUD eGIS.

to sell any building with three or more units, and provides those organizations with the right of first offer and right of first refusal. Either law could be invoked to negotiate a sale that would preserve the long-term affordability of the building though use of right to purchase depends on funding available to actual purchase buildings and any cover necessary rehabilitation.

[Response: prevention; Task: policy implementation and funding; Resource need: ●●●; Complexity: Medium; Long term; Partners: MOHCD, Nonprofit affordable housing developers, State and local policymakers; Geographic scale: Citywide]

- **Benefit:** Using local right-to-purchase policies to acquire at-risk affordable developments would help to ensure long term affordability for current residents.
 - **Challenge:** Right-to-purchase depends on availability of funding and so additional funding resources are needed to implement the program.
- **Incentives for long-term preservation.** There need to be incentives that make preservation an attractive and viable alternative to market-rate conversion. This includes making low-cost mortgages available for acquisition and major capital improvements in exchange for renewing affordability restrictions. Additional incentives could include rent assistance for cost-burdened households in affordable housing. [Response: prevention; Task: funding; Resource need: ●●●; Complexity: Medium; Long term; Partners: MOHCD, Nonprofit affordable housing developers, State and local policymakers; Geographic scale: Citywide]
 - **Benefit:** Developing additional incentives to support preservation would provide additional tools to preserve at-risk affordable housing.
 - **Challenge:** Incentives would largely depend on availability of funding and so additional funding resources are necessary to implement preservation incentives.
- **Tenant protections and right to return for residential demolitions.** Some subsidized housing projects in the city may be below the potential maximum allowable height and density. To deter the speculative sale of these projects, legislation may be appropriate to build upon existing residential demolition requirements. Specifically, legislation could be introduced to require that the conditional approval for residential demolition of existing affordable housing include requirements for one-for-one replacement of the housing and a right to return for residents. [Response: prevention; Task: regulation; Resource need: ●●; Complexity: Medium; Long term; Partners: MOHCD, Nonprofit affordable housing developers, State and local policymakers; Geographic scale: Citywide]
 - **Benefit:** Requiring additional tenant protection and right of return would provide additional anti-displacement guarantees for residents of at-risk affordable housing financial deterrents to conversion to market-rate or demolition.
 - **Challenge:** This idea needs further assessment.

- **Technical assistance for community-based organizations.** A substantial number of affordable housing developments are owned and operated by smaller CBOs that are no longer active in the affordable housing space. These organizations have limited capacity to effectively steward these affordable housing assets. [Response: prevention; Task: policy implementation and funding; Resource need: ••; Complexity: Medium; Long term; Partners: MOHCD, Nonprofit affordable housing developers and community- based organizations, State and local policymakers; Geographic scale: Citywide]
 - **Benefit:** Through technical assistance to expand capacity of CBOs that own existing at-risk affordable housing or organizations that could serve as preservation purchasers of at-risk buildings the city can help to preserve existing affordable housing.
 - **Challenge:** Providing technical assistance to CBOs, whether potential sellers or long-term preservation partners, will require investment of time and funding to establish relations, build knowledge and trust, and expand the staff capacity to support long term housing preservation.

Resources

- San Francisco Mayor’s Office of Housing and Community Development Community Opportunity to Purchase Act (COPA) webpage: <https://sfmohcd.org/community-opportunity-purchase-act-copa>

Public Housing Preservation

Background

What is Public Housing?

Public housing was built from the 1930s to the 1970s using federal grants to construct over 6,000 units of rental housing in San Francisco for eligible low-income families. Public housing ranges from individual buildings to larger developments made up of multiple buildings covering many acres. Public housing developments have relied on federal operating subsidies that have steadily declined while they increasingly served a very low-income population. Insufficient revenue combined with management challenges resulted in severe habitability issues for tenants. Despite these challenges, the immense need for affordable housing in San Francisco is demonstrated by the waiting list for public housing with over 18,000 people currently waiting for qualification and assignment to a unit.

What is Public Housing Preservation?

San Francisco has used available federal programs as well as significant local funding to rebuild or rehabilitate most of the aging public housing in San Francisco. The City has also made a commitment to rebuild all remaining public housing units. The programs described in this section contribute to preserving public housing while improving standards of living.

HOPE VI

After the decline of maintenance in public housing, a federal grants program in 1992 jumpstarted the rebuilding of several deteriorated public housing buildings. Grants from HUD were awarded annually to San Francisco from the late 1990s to the early 2000s the SFHA used these funds to revitalize five public housing sites with 1,149 units of affordable housing.

Rental Assistance Demonstration (RAD)

Before the Rental Assistance Demonstration (RAD) program, public housing authorities (PHAs) were not able to borrow money or use tax credits to rehabilitate aging public housing buildings. RAD was created to give PHAs a powerful tool to preserve and improve public housing properties and address their severe deferred maintenance. RAD also gives owners of three HUD "legacy" programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements.

In RAD, units move to a project-based Section 8 platform with a long-term contract that, by law, must be renewed. This ensures that the units remain permanently affordable to low-income households and provides a steady funding stream that can be leveraged for debt. In addition, housing authorities can enter into partnerships with nonprofit housing developers and tax credit investors bringing professional management expertise and tax credit equity to public housing rehabilitation projects. RAD maintains the public stewardship of the converted property through clear rules on ongoing ownership and use.

RAD program rules prohibit any permanent involuntary relocation of residents because of conversion. In addition, the tenants that are moved out while properties are being repaired have the right to return to

the property after completion without any rescreening. Tenants also have the right to move with tenant-based assistance if needed. To return to the property, the PHA operates and maintains a RAD waitlist.

As of late 2017, approximately 3,181 units in 28 developments around San Francisco in need of major repair and maintenance have been converted to RAD. Approximately 2,535 units have been converted to the project-based Voucher (PBV) program, and about 833 have been made part of the Section 8 moderate rehabilitation program. Thirty-seven percent of the units house families and 63 percent of the units house seniors and people with disabilities. The average income of the residents is \$16,405, which is less than 25 percent of the area median income in San Francisco.

HOPE SF

While the federal HOPE VI program has ended, San Francisco has committed to rebuild remaining public housing sites under the City's HOPE SF program. The HOPE SF program includes four public housing developments in the City to be completely renovated and existing public housing units replaced on a one for one basis along with additional affordable and market rate housing. HOPE SF will rebuild more than 2,000 units in all four public housing sites and will also create approximately 3,000 additional homes for rent and for purchase. Construction began in early 2010, and several projects have already been completed at Hunters View and Alice Griffith public housing sites. The Sunnydale-Velasco and Potrero Terrace and Annex sites will be rebuilt in phases in years to come.

Since HOPE SF is a local initiative, it relies heavily on local funding highlighting the importance of local funding in preserving public housing. HOPE SF will likely leverage federal programs such as tax credits and the ability to convert public housing operating subsidy to long term project-based vouchers and rental assistance as well as state funding sources. However, local funding is crucial to leveraging these state and federal sources and as well as to complete predevelopment work including planning, design, and infrastructure improvements.

Issues Related to Preserving Public Housing

The San Francisco Housing Authority (SFHA), established in 1938 by the Board of Supervisors, managed multiple housing programs including leased housing programs such as Section 8, and production or rehabilitation of affordable housing through Rental Assistance Demonstration (RAD) projects. SFHA was recently found in default of various agreements and obligations and transferred most of its duties to the City and County of San Francisco. After the transition, MOHCD assumed primary responsibility for SFHA properties and functions. The agency is in the process of determining a management and program structure. There are few online or physical resources for clarity on how the waitlist works for both Section 8 Vouchers and RAD. Most information can only be found on other agency websites or community organizations involved with the project or neighborhood.

HUD limits the number of public housing units that can be converted to PBVs or project-based rental assistance through RAD because it is still a limited "demonstration" program. Only 185,000 public

housing units nationwide can be selected for RAD (as of 2015) according to HUD.⁴⁵ As of 2017, in the City of San Francisco, there are approximately 1,081 number of public housing units managed by the SFHA.⁴⁶

Lessons Learned from HOPE VI

Since Hope VI and HOPE SF provide for the relocation of families and replacement of unit once rehabilitation is complete, the demographics of the population living at these developments should not have changed over time. However, the replacement and relocation processes differ between the two programs. HOPE VI relocated households to make way for mixed-income developments, but not all units were replaced on a one-for-one basis, causing residents to be displaced. With the new HOPE SF program, the City relocated communities to other housing within the same neighborhood and then replaced the units on a one for one basis for households to return to as soon as rehabilitation was complete. For example, residents of the Alice Griffith Public Housing Development were relocated directly from their old units into the newly constructed Alice Griffith Apartments using a special housing lottery preference.

HOPE VI also did not always include residents and community organizations in the planning process for rehabilitated projects. Hope SF has improved upon the shortcomings of HOPE VI by placing importance on developing partnerships and cultivating the community in which the development exists. Other projects could continue to do the same by incorporating resident feedback and insights into the planning processes and working closely with community organizations on developing the project.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Working with policymakers to increase funding.** Continuing to advocate to congress and the administration will help increase funding for additional vouchers, public housing rehabilitation and rebuilding, and 100 percent affordable housing. Also, exploring other funding sources similar to the Housing Trust Fund and Proposition C funds could help address the funding shortfall. [Response: prevention; Task: funding; Resource need: •••; Complex; Long term; Partners: MOHCD, State and local policymakers; Geographic scale: Citywide, Statewide]

⁴⁵ https://www.hud.gov/sites/documents/RESIDENTFACTSHEETS_ALL.PDF

⁴⁶ http://default.sfplanning.org/publications_reports/Housing-Needs-and-Trends-Report-2018.pdf

- **Benefit:** This will provide enough funding to renew existing vouchers and create more vouchers, rehabilitate and rebuild public housing, and build additional 100 percent affordable housing could help address funding gaps and stabilize and house more residents.
 - **Challenge:** Resources are required for both research into alternate funding sources and management of additional vouchers through landlord and tenant support.
- **Federal advocacy for Congress to increase the cap on Rental Assistance Demonstration (RAD) conversions.** With an increase in the cap on RAD conversions, the City can encourage the conversion and much needed rehabilitation of remaining public housing units.
[Response: prevention; Task: policy implementation; Resource need: More information required; Complex; Long term; Partners: MOHCD Geographic scale: Citywide]
 - **Benefit:** This would help rehabilitate old public housing and potentially create more affordable units on underutilized sites.
 - **Challenge:** This would require more resources and funding.

Resources

- San Francisco Housing Authority Rental Assistance Demonstration webpage:
<http://www.sfha.org/Pages/RAD.aspx>

Housing Choice Voucher Program (Section 8)

The Housing Choice Voucher program, also known as Section 8, is a rental assistance voucher program funded by HUD and has been administered by the SF Housing Authority to provide monetary assistance for rental housing for low-income families, the disabled, and elderly populations.

Background

What is the Housing Choice Voucher (Section 8) Program?

Qualification for the Housing Choice Voucher program is determined by household total annual gross income and family size and is limited to U.S. citizen and specified categories of non-citizens who have eligible immigration status. In general, the household's income may not exceed 50 percent of the median income for the City. The local authority receives federal funds from HUD to administer the voucher, and then pays the landlord a subsidy on behalf of the participating household. The household is required to pay the balance of the rent, which is typically not more than 30 percent of the household's income.

Housing Choice Vouchers can be distributed to households to then apply to units in the market (housing choice voucher), or it can be a project-based voucher (PBV) which assigns a subsidy to a unit rather than a household. In addition, there are two types of vouchers for specific populations: HOPWA (for people with HIV/AIDS) which is administered by MOHCD through the Plus Housing Program and Shelter plus Care (for homeless people with disabilities and/or substance abuse problems).

Most housing Authorities, including SFHA, can only project-base up to 20 percent of all housing choice vouchers, with certain exceptions to project-base another 10 percent of all vouchers. In addition, the number of PBV-assisted units in any one building not exceed 25 percent of the total number of dwelling units in the building, except when the units are in buildings with one to four units and when units are made available for elderly or disabled families or families receiving supportive services.

In 2018, a household of two people making a total of \$58,650 is considered a very low (50 percent) income level. In the same year, a household of four people making \$73,300 also falls into this income level. In 2016, 32.3 percent of all households in San Francisco made below \$50,000 gross income annually (ACS), and even more making above that amount but with larger families were also eligible for Section 8 vouchers (For example, a household of four people making \$73,300 is at the very low-income AMI level). The PBVs have been tied to an affordable housing development to support the development's financing and to provide deeper subsidy to tenants.

Only a minority of households who income qualify nationwide can receive a Housing Choice Voucher due to limited federal funding for the program. As a result, most very low-income households in San Francisco and around the country do not receive rental assistance and are severely rent burdened, paying more than 50 percent of income on rent. If vouchers were more consistently available for very low-income households, housing instability would be substantially reduced and it would be easier to

build and preserve affordable housing since voucher holders could afford higher rent, making building and operating quality affordable housing easier to finance.

Key Findings

- The traditional housing choice voucher program, in which SFHA pays a portion of the rent directly to the landlord, currently has 6,151 vouchers utilized by households throughout the City (data provided by SFHA).
- According to SFHA, over 2,500 project-based vouchers (PBV) units exist in the City.
- The 9,476 HCVs in use in the City and finds that HCVs are generally concentrated in areas that also have more affordable housing and low-income households: Western Addition, Tenderloin, South of Market, and the Bayview neighborhoods.⁴⁷
- A few data points provided by SFHA include that 35 percent of household members utilizing Section 8 vouchers are seniors (above the age of 61 years old).⁴⁸
- According to data provided by SFHA, many Section 8 voucher holders make between \$10,000 and \$20,000 as annual income. These households fall into the extremely low-income level, making less than 30 percent of the AMI (In 2018, a one-person household making less than \$24,850 was considered 30 percent AMI).

Issues Related to Housing Choice Vouchers

More tenant and landlord support are necessary for the success of the programs. Since the Housing Choice Voucher program, relies on private landlords to accept vouchers, the lack of knowledge about how the program works can affect the success of the program. Similarly, if a tenant does not know how to find resources on voucher programs or to find housing for an existing voucher they hold, the voucher might not be utilized.

Service providers noted that clients in the Housing Choice Voucher program have a difficult time getting a response from the SFHA, which administers the vouchers and operates housing. This often results in a delay in paying landlords and paper processing. Landlords may be more reluctant to rent to tenants in the program and act to remove these tenants because of the challenges in reaching program administrators.

⁴⁷ The Housing Needs and Trends Report published by the Planning Department in 2018 analyzed data provided by HUD to show the number and location by Census Tract of Housing Choice Vouchers (HCVs – also known as Section 8 vouchers) in use in San Francisco. The total number of HCVs in the dataset provided by HUD is different from that reported by SFHA most likely due to date differences. The Planning Department reached out to SFHA to clarify the number of housing vouchers by Census Tract but was not able to receive the data requested.

⁴⁸ Race and ethnicity datasets from SFHA were shared with the Planning Department but not disaggregated between Section 8 voucher holders and public housing inhabitants, so we have not included it in this analysis.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Expand administrative capacity and support for tenants and landlords.**
As MOHCD develops a plan for SFHA's former housing portfolio, there is an opportunity to consider increasing staffing to help the lead agency for these programs to create more resources and provide more support to tenants, landlords, other agencies and community organizations. There is a need for programs and educational materials for tenants and landlords participating in housing choice voucher programs. The DAHLIA web portal may be a place to house this information or a model to follow. [Response: mitigation; Task: policy implementation, funding, service; Resource need: ••; Medium; Long term; Partners: MOHCD, community partners Geographic scale: Citywide]
 - **Benefit:** Restructuring to accommodate for new programs will help address some of the issues associated with the Section 8 voucher program, including, but not limited to, inadequate staff support and educational materials.
 - **Challenge:** This would require more resources and funding.
- **Advocate for increased federal funding for Housing Choice Vouchers to reach all eligible households.** Only a fraction of households' income qualified for housing choice vouchers receive a voucher. It would help stabilize many existing or former San Francisco residents if all very low-income households were to receive a voucher. [Response: mitigation; Task: funding, policy implementation; Resource need: More information required; Complex; Long term; Partners: Congressional Representatives; Geographic scale: Nationwide]
 - **Benefit:** Qualified households can have a greater potential to be stabilized within their existing communities.
 - **Challenge:** This would require more resources and funding. This requires education of and acceptance by landlords of vouchers and available units.

Resources

- Housing Choice Vouchers Fact Sheet:
https://www.hud.gov/topics/housing_choice_voucher_program_section_8

Homelessness Prevention and Supportive Housing

The lack of housing stability and lack of affordable housing for individuals and families is the key driver of homelessness in the City. In August 2016, the City and County of San Francisco created a new department, the Department of Homelessness and Supportive Housing (HSH) to align its approach and significant financial investment into the homelessness crisis.

Background

What is Homelessness Prevention and Supportive Housing?

HSH's five-year Strategic Framework includes the following programs:

- Coordinated Entry System and the ONE System, a by-name expanded homelessness management information system and is a national best-practice which organizes the new the Homelessness Response System from a series of programs to a data-informed system.
- Street Outreach connects those living outside with the Homelessness Response System and voluntary services.
- Problem Solving provides opportunities to prevent people from entering the Homelessness Response System and to redirect people who can resolve their homelessness without the need for ongoing support.
- Temporary Shelters provide temporary places for people to stay while accessing other services and seeking housing solutions. Temporary Shelter include traditional shelters, Navigation Centers, Stabilization Beds, and Transitional Housing.
- Housing provides permanent solutions to homelessness through short, medium or longer-term subsidies and housing placements. This may include time-limited supports such as Rapid Rehousing and Rent Subsidies or longer-term solutions such as Permanent Supportive Housing (affordable housing with support services).
- The Housing Ladder offers opportunities for residents of Permanent Supportive Housing or Rapid Rehousing to move outside of the Homelessness Response System (Moving On Initiative) while still receiving financial support to maintain their housing.

How are Homelessness and Community Stabilization Linked?

Homelessness is a symptom of a larger problem – a lack of affordable housing for our most vulnerable residents. The increasing presence of homelessness indicates an instability among low-income households in our community. Homeless prevention, shelter and supportive housing provide resources for our most vulnerable communities to ensure that they have shelter and services and can ultimately end their experience of homelessness.

While we typically think of residents who are housed experiencing displacement, people experiencing homelessness are also forced to move from their living space. As development occurred in areas of the City where people experiencing homelessness have historically resided, they have been displaced to other parts of the City. This recent, increased visibility in neighborhoods unaccustomed to seeing people

experiencing homelessness has triggered increased friction between housed and unhoused residents in the City.

Key Trends

- Communities experience a sharp increase in homelessness when median rent accounts for 32 percent or more of median income. San Francisco remains well above this threshold for rent affordability, with median rent accounting for 39 percent of median income on average through 2017 and 2018.⁴⁹
- On January 24, 2019, 8,011 people were found to be experiencing homelessness in San Francisco.⁵⁰
- Between January 2017 and January 2019, there was a 17 percent increase in overall homelessness with a significant increase in adult homelessness and chronic homelessness in the City. Family homelessness stayed flat over this time period and youth and Veteran homelessness decreased.⁴⁴ Communities surrounding San Francisco experienced increases in the range of 40-50 percent or higher.
- Since 2016, 650 Temporary Shelter beds, including six Navigation Centers, have been opened with over 700 more shelter beds in the pipeline.
- Since 2016, 550 units of Permanent Supportive Housing have been added with approximately 1,300 more in the pipeline as well as in Rapid Rehousing exits and Problem Solving.

What's Happening Now to Respond to Homelessness?

The City is engaged in numerous efforts to prevent homelessness and provide exits from homelessness. The City's goal is to end family homelessness, reduce chronic homelessness by 50 percent, and reduce youth homelessness by 50 percent by December 2022. The Department recently improved the City's response to street homelessness and launched the city-wide Coordinated Entry System. The City is now can offer shelter to any family experiencing homelessness which is considered a "functional" end to family street homelessness.

HSH is simultaneously building more shelter to meet the Mayor's goal of 1000 additional shelter beds by June of 2020. HSH is also working with City partners to develop 1,300 more units of Permanent Supportive Housing and expanding other homelessness interventions such as Rapid Rehousing. This effort will be supported by Assembly Bill 101, which passed by the California legislature and allows for homeless shelters to be approved by-right.

⁴⁹ Data acquired from Zillow.com/data on June 17, 2019; San Francisco Homeless Count and Survey Comprehensive Report 2019.

⁵⁰ San Francisco Point in Time Count, January 2019. Online: <http://hsh.sfgov.org/research-reports/san-francisco-homeless-point-in-time-count-reports/>

With Mayor Breed's leadership, the FY19-20 budget invested \$5.2 Million towards Problem Solving. Problem Solving (prevention and diversion) provides opportunities to prevent people from entering the Homelessness Response System and to redirect people who can resolve their homelessness without the need for ongoing support. Recent Point-In-Time count data require an increased focus on homelessness diversion at the moment of homeless crisis to quickly rehouse people experiencing homelessness without long-term reliance on the Homelessness Response System.

The Planning Commission approved a proposal on August 29, 2019 to open a parking lot near the Balboa Park BART Station as the first-of-its-kind Vehicle Triage Center which is a safe place for people to park, receive services and access and to sleep in their vehicles. The City's 2019 homeless Point in Time count found two-thirds of the increase in unsheltered homelessness in San Francisco was driven by people living in their vehicles.

Issues Related to Homelessness Prevention and Supportive Housing

Despite the City's efforts, homelessness continues to grow in San Francisco. While the Department's work is advancing with some key goals already met, the work is being done in the context of a regional and state-wide housing and affordability crisis leading to increased rates of new homelessness in our community. HSH data indicates that for everyone person whose homelessness is resolved, another three people are becoming homeless in their place.

Until more federal, state and local support is available to develop housing, San Francisco must invest in prevention and diversion strategies, expanding temporary shelter and short, medium- and long-term housing interventions. Addressing homelessness requires services and shelter today, but it also requires a comprehensive and innovative approach to housing solutions for the future.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Explore additional innovative housing approaches.** Additional temporary and/or creative space to accommodate unhoused residents, such as non-traditional housing in terms of scale, materials and construction and temporal conditions. Offering vacant, underutilized, publicly-owned space such as a parking lot for RVs is one example of an innovative approach to shelter (but not housing) needs. Additional opportunities to integrate supportive housing into the City's affordable housing preservation programs is another approach to explore as is changing

approval processes and timelines for development of affordable and permanent supportive housing. [Response: Mitigation and prevention; Task: funding, legislation, and policy implementation; Resource need: ●●●; Complexity: Medium; Long-term; Partners: HSH, Planning, MOHCD, community partners; Citywide]

- **Benefits:** This can help streamline housing production of and increase the number of housing options for people experiencing homelessness.
 - **Challenges:** This will take time and resources to research and create new approvals process to develop.
-
- **Inclusive public spaces to welcome all residents.** Public parks, sidewalks, plazas, and other public spaces could be designed to be equitable, inclusive, and accommodate all residents and uses. In Philadelphia, Spruce Street Harbor Park provides amenities, such as hammocks, for all visitors including people experiencing homelessness. [Response: Prevention; Task: funding, policy implementation; Resource need: ●●; Medium; Long-term; Partners: HSH, Planning, Recreation and Parks, DPW, Community Organizations; Citywide]
 - **Benefits:** Integration of residents of different race, ethnicity, and incomes; people experiencing homelessness could feel welcome in more of the City's public spaces.
 - **Challenges:** Redesigning public spaces requires capital funding and can the multi-year efforts and there is effort required to empathize with different people's experiences.
-
- **Increase resident awareness of the root cause of homelessness.** There is an opportunity to increase awareness in the City of the root cause of homelessness. Homelessness is often perceived as a problem in and of itself when it is a symptom of a larger housing affordability and community stabilization issue. Providing resources and information for all residents will help to support the lives of people experiencing homelessness, as well as those who are housed. [Response: Mitigation; Task: policy implementation; Resource need: ●●; Medium; Long-term; Partners: HSH, Community Organizations; Citywide]
 - **Benefits:** Increased empathy and potentially less conflict among residents regardless of housing situation.
 - **Challenges:** Education campaign requires additional resources and may be looked over as the City invests in other immediate homelessness prevention programs.

Resources

- [Department of Homelessness and Supportive Housing Five-Year Strategic Plan](#)
- San Francisco Point in Time Reports: <http://hsh.sfgov.org/research-reports/san-francisco-homeless-point-in-time-count-reports/>

DRAFT

Inclusionary Housing

The inclusionary housing program aims to create housing affordable to low-, moderate-, and middle-income households in new buildings.

Background

What is Inclusionary Housing?

San Francisco's Inclusionary Housing Program⁵¹ requires new market-rate residential projects of 10 or more units to pay an Affordable Housing Fee or meet the inclusionary requirement by providing a percentage of the units in the project as "below market rate" (BMR) units. BMR units must be rented or sold at a price that is affordable to low- or middle-income households, either "on-site" within the project, or "off-site" at another location in the city, generally within one mile of the market-rate project. All inclusionary units, whether they are rental or ownership units, are distributed through a lottery system run by MOHCD.

The most common options for complying with the Inclusionary Ordinance are via the on-site, off-site and in-lieu fee options. On-site inclusionary units are constructed by developers and are comparable to market rate units in the project. Off-site inclusionary projects are either constructed by the developer of the market rate project or built in partnership with a non-profit housing developer.

Several area specific requirements exist throughout the city, but in general the citywide inclusionary requirements are as follows:

Inclusionary Option	Small Projects (10 to 24 units)	Large Projects (25+ units)
On-site	13% below market rate units	19% rental / 21% ownership condo ⁵²
Off-site	20% below market rate units	30% rental / 33% ownership condo
In-lieu fee	\$199.50 per square foot, charged on 20% of the project's residential Gross Floor Area	\$199.50 per square foot, charged on 30% of the project's residential Gross Floor Area (rental) \$199.50 per square foot, charged on 33% of the project's residential Gross Floor Area

*As of January 1, 2019. This increases every year.

⁵¹ The Program is governed by [Planning Code Section 415](#) and the [Inclusionary Housing Program Procedures Manual](#), and is administered by the Mayor's Office of Housing and Community Development (MOHCD) and the Planning Department.

⁵² On-site units produced by the inclusionary program must be rented to households making between 55% and 80% of Area Median Income (AMI) (for reference: a one-person household making up to \$66,300, a two-person household making up to \$75,750, or a four-person household making up to \$94,700) or sold to households making between 80% and 130% of AMI (for reference: a one-person household making up to \$107,750, a two-person household making up to \$123,100, or a four-person household making up to \$153,900).

Why is Inclusionary Housing Important?

The Inclusionary Housing program is essentially the only program that produces permanently affordable housing units at no upfront cost to the City. Inclusionary housing promotes mixed-income communities and allows for public sectors to counter declining resources available for affordable housing development. Private residential developers are a part of the solution to produce affordable housing.⁵³

Key Findings

- Since the inception of the program, over 2,200 new affordable housing units were created as a result of the inclusionary program; of those approximately 2,200 inclusionary units, 1,040 are rental units.
- Most of these inclusionary units were created in the eastern part of the City where most new development occurs.
- New inclusionary units are split fairly evenly between rental and ownership units.
- The City has collected over \$440 million through in-lieu fees since 2003, contributing a major local funding source for affordable housing.

What's Happening Now to Enhance Inclusionary Housing?

The upcoming Inclusionary Technical Advisory Committee (TAC) will be reassessing the inclusionary rates throughout the City and determine whether a new feasibility study is required to identify new inclusionary rates.

Issues with Inclusionary Housing

Tying the production of inclusionary housing to market rate development means units are only produced when the market for new housing is strong, and when economic conditions encourage new housing production. It also means units are only produced in areas of the city where market conditions and/or existing zoning allow and encourage housing development. Even in years where there is high housing production, most new projects tend to be in the east side of the city. For example, even in 2016, no inclusionary affordable units were built on the entire west side of San Francisco where multifamily housing development options are limited.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

⁵³ PolicyLink Equitable Development Toolkit. <https://www.policylink.org/resources-tools/inclusionary-zoning>

- Optimize inclusionary rate through the Triennial Technical Advisory Committee (TAC).** The Triennial Inclusionary Technical Advisory Committee (TAC) is set to convene in 2019 and will re-examine the City's inclusionary housing rate. As part of recent legislation, the TAC was also directed to examine the inclusionary rates required as part of HOME-SF. The goal is to set rates that maximize the amount of affordable housing produced by the City's various programs, taking into consideration changing market conditions and construction costs. The Department is gathering data on HOME-SF projects as they come in and will provide it to the TAC as context. [Response: mitigation; Task: regulation; Resource need: •; Less complex; Short term; Partners: Planning Department, Inclusionary TAC, Board of Supervisors; Citywide]
 - Benefit:** This can help maximize affordable housing produced.
 - Challenge:** This would require more resources and additional research of newer programs such as density bonus programs. Setting the appropriate rate is challenging given market fluctuations and political pressure.
- Homeowners Association dues protections.** To protect BMR homebuyers from excessive annual HOA dues increases and from excessive special assessments, projects could include several strategies. The HOA governance structure and bylaws could include a Master Homeowners Association (Master HOA) and two sub-associations, one consisting of the Inclusionary Units and the units within the Affordable Project and a second sub-association consisting of the market rate units. The Master HOA Board of Directors could be representative of both sub-associations and could approve all dues increases with a super majority. The Office Community Investment and Infrastructure (OCII) worked with the project sponsor to include protections for BMR unit residents in the Transbay Redevelopment Project's Transbay Block 1 (160 Folsom Street). [Response: mitigation and early intervention; Task: funding and regulation; Resource need: •; Less complex; Long term; Partners: Planning, OEWD, developers; Citywide]
 - Benefit:** Low- and moderate-income homebuyers subject to changing HOA fees will be relatively protected from massive fee hikes that may put their housing stability at risk.
 - Challenge:** This would require more resources and funding.

Resources

- MOHCD Inclusionary Housing Program webpage: <https://sfmohcd.org/inclusionary-housing-program>

HOME-SF

HOME-SF produces below market rate rental and ownership housing units for several residents in San Francisco.

Background

What is HOME-SF?

HOME-SF is San Francisco's local density bonus program. It is designed to incentivize building more affordable and family-friendly housing in neighborhood commercial and transit corridors throughout the city by offering form-based density, zoning modifications and priority processing. HOME-SF requires a higher amount of on-site affordable housing than the inclusionary housing ordinance (between 20-30 percent) and allows developers meeting all program requirements additional density and up to two additional stories of height. The program was one of the first in San Francisco to set aside a portion of affordable units for middle-income households (making up to 130 percent AMI).

All HOME-SF projects are reviewed and entitled by the Planning Department, pursuant to Sections 206 and 328 of the Planning Code. Affordable units created by the program ("HOME-SF Units") are then subject to the same provisions as on-site affordable units provided through the City's Inclusionary Housing Program (Section 415), except for the on-site rates and associated affordability levels as detailed below. HOME-SF Units are subject to the provisions of the Inclusionary Housing Procedures Manual.

Originally, HOME-SF consisted of one option, where developers would receive form-based density and two additional stories of height above the height limit in exchange for a strict 30 percent on-site requirement. In August 2018, the Board of Supervisors approved a trial program (until a triennial Technical Advisory Committee examines and re-sets the required rates) that introduced several tiered options.

Why is HOME-SF Important?

HOME-SF, like the on-site Inclusionary Housing Program, does not require any public subsidy. Developers opt to participate in the program, providing the required level of on-site affordable units, and in exchange receive additional height, density and certain zoning modifications. An analysis of potentially developable soft sites in the program area by the Planning Department found that HOME-SF could produce up to 5,000 permanently affordable units in the next 20 years.

Key Trends

- To date, only one HOME-SF project has received entitlements (2601 Van Ness), but none have yet been constructed.
 - The original 2601 Van Ness project: 27 units (0 percent affordable – project proposed to pay in lieu fee) was modified with HOME-SF to be 60 units (18 affordable units - 30 percent affordable)

- Several projects have either expressed interest through Project Review meetings, formally submitted a Preliminary Project Assessment (PPA) or re-submitted a previously submitted project to take advantage of the program.

What is Happening to Enhance HOME-SF?

The Planning Department staff continues to look for potential tweaks that can be made to the program to ensure it produces the maximum amount of permanently affordable units. Potential changes could include further streamlining the HOME-SF process, removing some of the strict eligibility criteria, and adjusting the required on-site inclusionary rate to maximize feasibility of providing on-site affordable units.

Issues with Implementing HOME-SF

HOME-SF includes several strict eligibility criteria, which greatly limit the number and location of potential HOME-SF projects. For example, HOME-SF projects must consist of new construction, may not demolish an existing residential unit, and cannot cause a significant impact to a historic resource, among other limitations. As a result, there have been several examples where projects have chosen to develop under existing zoning (with lower inclusionary requirements and fewer affordable units) or have pursued more complicated rezoning, rather than utilizing the HOME-SF program.

By design, the HOME-SF program only applies in zoning districts which regulate density by a ratio of units to lot area. This excludes many districts in Area Plans, which control density through height and bulk limits and unit mix requirements. The city's lowest density districts, RH-1 and RH-2 (which allow one or two units on a lot, respectively, and cover over 70 percent of the city's land area), are also not within the HOME-SF program area. Furthermore, areas such as the North of Market Residential SUD and a large part of the Northeast portion of the city, are either ineligible for the program or have very limited applicability.

When first introduced, HOME-SF consisted of only one option, requiring 30 percent on-site affordable units. While several projects did apply, the Department received feedback that the high on-site requirement made projects infeasible on many sites. In response, a trial program was developed, which allowed a varying percentage of on-site affordable units required based on the amount of extra height requested under the program.

One of the key tenets of HOME-SF is that the percentage of on-site inclusionary units required in order to qualify for the program will always be higher than the standard inclusionary requirement under base zoning. When the program was originally passed, the standard inclusionary rate was 12 percent, while HOME-SF's was 30 percent. The city's standard inclusionary rate has since been raised to at least 19 percent (13 percent for small projects), leaving a smaller gap between the standard rate and HOME-SF's. As the standard inclusionary rate increases yearly, there will be less and less room for HOME-SF's rate to be adjusted downward to respond to existing economic and development conditions.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Program with permanent tiered structure and maximized applicability.** The trial tiered HOME-SF program has already produced results and clearly demonstrated an increase in the program's flexibility resulting in several projects choosing to develop under HOME-SF rather than existing zoning or the State Density Bonus program. It could be made permanent, with only the specific inclusionary rates re-set along with the inclusionary rate every three years per the TACs recommendation. As economic conditions evolve, and additional potential HOME-SF projects come through the Department for review, staff could continue to look for potential tweaks that can be made to the program to ensure it produces the maximum amount of permanently affordable units. Potential changes could include further streamlining the HOME-SF process, removing some of the strict eligibility criteria, and adjusting the required on-site inclusionary rate to maximize feasibility of providing on-site affordable units. [Response: mitigation; Task: data and regulation; Resource need: •; Medium; Long-term; Partners: private developers, Board of Supervisors, Planning Department, Inclusionary TAC; Citywide]
 - **Benefit:** Increasing the program's flexibility could potentially result in an increase of affordable housing production.
 - **Challenge:** This would require more resources to frequently track and assess changes to the program.
- **Possibilities for increased density and affordability.** In RH-1 and RH-2 districts, density limits are too restrictive to produce inclusionary housing, and HOME-SF and other density bonus programs generally do not apply. However, several recently proposed state laws seek to alter restrictive single and two-family zoning throughout the state, allowing such zoning districts to potentially produce affordable housing. The highest profile bill was Senate Bill 50 (SB 50) which, if passed, would release density limits near high-quality bus and transit stops, and in 'jobs-rich' areas with high access to opportunity. By virtue of San Francisco's relatively frequent transit service, large portions of the city's RH-1 and RH-2 districts would be subject to SB 50's proposed requirements. If passed, SB 50 would essentially extend HOME-SF's density de-control to RH-1 and RH-2 districts, allowing projects in those districts that would trigger San Francisco's inclusionary housing ordinance and produce affordable units.

[Response: early intervention; Task: regulation and policy implementation; Resource need: •; Medium; Long term; Partners: Board of Supervisors, neighborhood groups; Citywide]

- **Benefit:** Increasing the types of areas that the program could be applied may result in an increase of affordable housing production.
- **Challenge:** This would require more resources, assessing whether legislation in the pipeline achieves the same benefits, and further analysis into whether these proposed changes will result in more affordable housing across the city.

Resources

- HOME-SF website: <https://sfplanning.org/home-sf>

Development Agreements

Development agreements (“DAs”) are contracts between the City and a developer that lay out development rights and commitments; project rules and regulations; additional public benefits of the project; and implementation. City agencies work closely to ensure that development agreements contain community benefits that address the need for equitable outcomes, including significant affordable housing and local employment components.

Background

What is a Development Agreement?

The purpose of a Development Agreement is to use a contractual approach to garnering community benefits that otherwise couldn’t be achieved through legislated requirements. A DA reduces the risks associated with development, thereby enhancing the City’s ability to obtain public benefits beyond those achievable through existing ordinances and regulations.

Some major development projects include the creation of Development Agreements between development sponsors and the City. Common types of projects that feature Development Agreements are those that are larger than individual buildings or discrete developments and which may range from 5 to 200 acres or more, and that entail planning for multiple phases over several years and creation of significant new infrastructure, blocks and streets, parks, and community facilities, and include rezoning. However, there are other smaller-scale projects, including some where no zoning changes are contemplated, where Development Agreements are pursued to achieve benefits that are not possible or practical within the bounds of existing zoning and entitlement processes. Because the negotiation and process for creating and approving DAs is very involved, including not just Planning Commission but Board of Supervisors approval, it is not practical or appropriate for most common types of development to include DAs.

Depending on the circumstances, lead agencies include Office of Economic and Workforce Development (OEWD), Planning Department, and Office of Community Investment and Infrastructure. Other agencies typically involved include Mayor’s Office of Housing and Community Development (MOHCD), San Francisco Municipal Transportation Authority (SFMTA), Public Utilities Commission (SFPUC), Recreation and Parks Department, Public Works, and San Francisco Fire Department.

Development agreements are approved by the Planning Commission and Board of Supervisors; other commissions must review and approve depending on the project scope. California Government Code [Section 65864-65869.5](#) and [Chapter 56](#) of the San Francisco City and County Administrative Code set forth the procedures by which a development agreement is processed and approved.

Why are Development Agreements Important for Community Stabilization?

Development agreements contribute to community stabilization because they provide an opportunity for the City to reach beyond existing zoning regulations to enhance stabilization and prevent displacement by: increasing the amount of affordable housing within developments beyond what is

required of development in the city; funding acquisition and preservation of existing buildings and protection of tenants; funding community programs, investments, and objectives; supporting workforce development and community-serving businesses, and protecting arts and cultural resources. There isn't a limit to what could be determined under a development agreement, if it is feasible, and the parties agree.

Key Trends

- The City negotiated or is finalizing 26 development agreements.
- Development agreements include a significant number of housing units (both market rate and affordable) representing a large portion of the city's housing pipeline.
- Many development agreements result in more on-site affordable housing than is called for in the Inclusionary Housing Ordinance.
- If existing rent stabilized units are demolished as part of the project, development agreements (Conservatory of Music, 915 Cayuga, Trinity Plaza, and Parkmerced) provide a contractual means to require developers to not only replace those units and maintain the new units under rent stabilization, but also to require developers to provide interim housing for displaced residents during construction.
- Several development agreements (5M and India Basin) include the preservation and acquisition of affordable housing units.
- Many development agreements (Visitation Valley/Schlage Lock) include community-serving retail, such as a grocery store.
- Many development agreements (Mission Rock, Potrero HOPE SF, Pier 70, and Candlestick) include community services and facilities onsite, such as childcare, as well as spaces for future public spaces to meet projected community facility needs.
- These large development projects create many short- and long-term jobs. Many development agreements go beyond the basic economic and workforce development requirements to provide additional funding to OEWD and community organizations and small business and manufacturing support.
- Many agreements (5M, Pier 70, and Hunter's Point among others) include arts and culture protections by providing a dedicated affordable arts and cultural non-profits commercial space.

What's Happening Now Related to Development Agreements?

The following is a list of already-approved and in-process Development Agreements:

Project	Adoption Date
KR Flower Mart	In process
Potrero Power Station	In process

Project	Adoption Date
Stonestown	In process
1049 Market Street	In process
Laurel Heights/3333 California	In process
915 Cayuga School	In process
749 Toland	In process
Tishman Central SoMa	In process
Academy of Art University	In process
Balboa Reservoir	Adoption expected Spring 2020
United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry, Local 38	June 30, 2019
915 Cayuga Avenue	May 17, 2019
India Basin Mixed-Use Project	December 1, 2018
San Francisco Conservatory of Music	April 3, 2018
Mission Rock	February 2, 2018
Potrero HOPE SF	March 3, 2017
Sunnydale HOPE SF	March 3, 2017
Pier 70	September 26, 2017
Visitacion Valley/Schlage Lock	May 19, 2015
5M Project	December 17, 2015
Candlestick/Hunter's Point	December 1, 2014
181 Fremont	November 13, 2014
California Pacific Medical Center (CPMC)	October 2, 2013
Park Merced	August 19, 2011

Project	Adoption Date
Treasure Island/Yerba Buena Island	June 28, 2011
Trinity Plaza	October 22, 2009

The City and developers are increasing community outreach efforts to ensure that residents are connected to housing and employment opportunities created through negotiated development agreements.

Issues with Forming Development Agreements

While many of these large development projects include a high percentage of affordable units, this higher proportion of affordable units is the result of a multitude of factors that make the construction possible. Some of these factors include, but are not limited to, the site being situated on public land, the range of affordable units made available to moderate-income households, the rezoning of the land, and/or substantial amounts of non-residential uses that cross subsidize the affordable units.

Since each development agreement includes various factors such as land ownership and cost, number of housing units, amount of commercial and retail space, and location, among other characteristics, it is difficult to compare them and standardize the process for all agreements.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- Continue to achieve various community stabilization goals through the Development Agreement process.** There is an opportunity to enhance community stabilization policies and programs in the City's negotiated agreement with a major development project sponsor. In some cases, such as the Conservatory of Music, 915 Cayuga, Trinity Plaza, and Parkmerced development agreements, new units are subject to rent-control and in other agreements buildings have been acquired and protected as permanently affordable housing. To the extent possible, there is an opportunity to dedicate land for community-serving uses such as libraries and parks. [Response: early intervention, prevention; Task: policy implementation; Resource

need: •; Medium; Length of impact: Long term; Partners: Planning, OEWD, MOHCD, developers, project sponsors; Geographic scale: Citywide]

- **Benefit:** This could result in land dedication for community-serving uses, the preservation or protection of existing resources, and preservation or production of a higher percentage of affordable housing than otherwise required by inclusionary zoning.
 - **Challenge:** Not all development agreements result in the same benefits depending on the size and type of project, which can be difficult for community to understand the range of differences. Agreements often require an involved community and lengthy process for negotiation which can also affect project and benefits feasibility.
- **Continue to build community and City relationships.** There is an opportunity for the City and project sponsors to consider to what extent City staff could be more involved in the community engagement and outreach process of major privately-owned projects. City staff already undertakes extensive engagement to define the major, publicly-owned properties such as the Visitacion Valley/Schlage Lock, Potrero and Sunnyside HOPESF projects.
[Response: early intervention, mitigation; Task: policy implementation, service; Resource need: •; Medium; Long term; Partners: Planning, OEWD, MOHCD, developers, project sponsors; Geographic scale: Citywide]
 - **Benefit:** The community, working together with City staff, can better address community need in the development of large projects.
 - **Challenge:** It would require more resources and support from all parties and agencies involved.

Resources

- OEWD's Development Agreements website: <https://oewd.org/development-agreements>
- San Francisco Planning Department Development Agreements website: <https://sfgov.org/sfplanningarchive/development-agreements>

Accessory Dwelling Units

Accessory Dwelling Units (ADUs) can take several forms and generally offer key benefits. They are “affordable by design” due to smaller size and physical limitations, location (such as behind a garage). ADUs add flexibility to a home, allowing for example, multiple generations to live independently under one roof, older adults to age in place or individuals with disability to live on the ground floor.

Background

What are Accessory Dwelling Units?

Accessory Dwelling Units (ADUs) are housing units added to existing or proposed residential buildings. ADUs are also often called in-law units, granny flats, secondary units, or basement or garage apartments.

The State of California has long promoted ADUs as a strategy to increase the state’s housing supply. In 1982, legislation was passed to require all jurisdictions to allow “secondary units”, unless reasonable justifications were found. The most recent housing crisis in San Francisco finally gained enough momentum for ADUs. In 2014, ADUs were allowed for the first time as a pilot program in small areas of the city. Subsequently the program was expanded in 2015 and then became available citywide in 2016.

In late August 2018, Mayor London Breed issued an Executive Directive to streamline the approval and construction of the hundreds of ADU permits working their way through the entitlement and permitting process. In response to the Mayor’s directive and to meet the four-month deadline. The five key agencies required to review and approve ADU permits (DBI, Planning, Public Works, Fire, and SFPUC) organized biweekly meeting times to concurrently review applications for streamlined approval process.

Why are ADUs important?

In San Francisco, an ADU can provide extra space and flexible living situations for multigenerational families, or help a homeowner maintain rental income for mortgage payments. In larger multifamily properties, an ADU can turn underutilized spaces into extra dwelling units. Adding these additional units to properties that are typically one unit or lower-density contributes to the housing stock and helps provide more homes that are typically affordable by design. However, ADUs are often expensive to build and the lack of financing mechanisms specific to ADUs make it difficult for many smaller property owners to utilize the program. The ADU program is one of the few programs that produces new rent-stabilized units.

Key Trends

- Since the first trial ADU program was introduced in 2013 and as of December 2018, 102 new ADUs have been completed.
- A little over 80 percent of all ADUs completed in 2017 and 2018 are in multi-unit buildings with 5 or more units. Most of these larger multi-family buildings have built ADUs in former parking garages, old boiler rooms, or storage spaces.

- The completed ADUs are mostly concentrated in Supervisorial Districts 3 and 8. In 2015 the ADU program began in these two districts, thus leading to a greater number of completed ADUs in these neighborhoods.
- As of mid-2019, a total of 1,793 ADU units came through planning applications since program inception in 2014. Of these applications, a total of 865 ADU units were approved.

What's Happening Now to Support ADU Production?

The Planning Department developed a team in 2017 to coordinate the review of ADUs and unauthorized dwelling units. In September 2018, Mayor Breed issued an Executive Directive mandating Departments to complete the review of ADU permits within a certain time period. To address issues related to the fragmented permitting process, Digital Services is testing a pilot for the one-stop permit center and for the creation of a fully digital permitting process: the applicant will be able to apply for ADU permits, submit plans, and complete the process online. The Planning Department has also developed a variety of materials to communicate the benefits of and the process of adding an ADU in simplified language. In addition to these materials the City has hosted or attended outreach events targeted to a variety of audience.

The Planning Department is exploring a deed-restricted affordable ADU pilot in the Bayview and surrounding neighborhoods. San Francisco's potential pilot involves versions of an equity loan or incorporating future income of property to increase loan amounts possible for low-income households. CASA, the Committee to House the Bay Area, is an effort comprised of public policy and housing advocates, developers, elected officials, and others, to develop methods of addressing the regional housing crisis. The recently published CASA Compact, which packages up detailed policy proposals for a 15-year horizon, details a program for junior ADUs, which may be more affordable to build because they are supposedly smaller than the average ADU. The proposed definition at the State level notes that the junior ADU can share sanitation facilities with the main home, and generally is created from existing space within that home. However, this program could use some more details and research for local application, such as the definition of a junior ADU and exploring tenant rights specific to these types of units.

Issues with ADU Production

One of the main challenges for building ADUs has been the lengthy review process by various departments. Small property owners find the process complicated and daunting. The long process was due to lack of allocated staff, lack of coordinated review between multiple Departments, or, in some cases, disagreements between departments.

Within the existing landscape of mortgage products, loans for ADUs either do not exist or are at the early stages of being formed. During summer of 2018, the Planning Department hired an intern to research how financial institutions are responding to the need for a loan product for ADUs. Most

traditional lenders are reluctant to consider the future rental income from the ADU when securing financing.

The Department has occasionally heard concerns from tenant advocacy organizations that construction of ADUs have been disruptive to existing tenants. Examples referenced included when common amenities (defined by the SF Rent Board as “housing services”) were being converted to ADUs, or when required seismic retrofitting in combination with new ADU construction required temporary relocation of tenants.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Affordable Accessory Dwelling Unit (ADU) loan or financing programs for property owners.**
The cost of building a new ADU puts the program out of reach of many low- and moderate-income homeowners. The City could develop an Affordable ADU program that would incentivize low income homeowners to add ADUs offered at below market rates. The City could partner with financial institutions to create loan products for ADUs where the rental income/added value for the ADU will be considered. An affordable loan program could also be explored, such as advocating for a California State law to develop a revolving construction loan fund for ADUs. AB 1074 was introduced in early 2019 to dedicate funds to help finance the cost of constructing an ADU, and the bill is currently in committee process. [Response: mitigation; Task: funding and policy implementation; Resource need: ●●; Medium; Long term; Partners: MOHCD; Citywide or Statewide]
 - **Benefit:** Providing financial assistance could help create more housing in these communities and help stabilize low-income homeowners or help them make needed repairs.
 - **Challenge:** This would require more resources and funding, as well as a lottery program to select eligible homeowners for financial assistance. Adding an ADU to an existing home incurs additional costs to modify the main home, a homeowner’s expected cost of construction may increase beyond financial feasibility.

- **More flexible building options for ADUs.** Revising legislation at State and local levels to allow other building forms such as rear yard cottages, home on wheels, or pre-fabricated buildings could reduce the cost of building an ADU and make the program more feasible for property owners. [Response: mitigation; Task: regulation; Resource need: •; less complex; Long term; Partners: Planning, DBI; Citywide]
 - **Benefit:** The cost of constructing an ADU may decrease if more flexible options in materials and building type are introduced to the program.
 - **Challenge:** This would require more resources and updates to existing labor laws and existing Building Code. The existing form of SF buildings (side lot line to side lot line) may also create additional barriers/ costs of construction.
- **More avenues for ADU outreach.** The City could continue to develop outreach materials that explain the process in simple language to a typical homeowner with minimum familiarity of the City's bureaucracy. These materials should be translated into multiple languages such as Chinese and Spanish. The City could consider conducting ADU fairs in areas of the city with more single-family homes and including marketing materials on local media such as Chinese-speaking stations. Finding a local advocate for ADUs would also help the City create more interest in building ADUs in small properties as well. [Response: mitigation; Task: program; Resource need: ••; Medium; Long term; Partners: MOHCD, community partners; Citywide]
 - **Benefit:** This can help create more accessibility to the ADU program.
 - **Challenge:** This would require more resources and funding.
- **Prior evictions data on Property Information Map (PIM).** Refer to *Tenant Protection Services* for more information on this opportunity.

Resources

- Planning Department Accessory Dwelling Unit webpage: <https://sfplanning.org/accessory-dwelling-units>

Cultural Stabilization

San Francisco relies on the vibrancy and the heart of the people who live here. The city is defined in part by its diversity, culture, and art. As rents continue to rise, artists and cultural organizations are finding it increasingly difficult to remain in their neighborhoods.

DRAFT

Arts and Culture Protection

The city's artists, arts and cultural organizations are important partners to the city's ongoing strategies for physical and mental health, education, workforce and community development in addition to enhancing the quality of life for all residents

Background

What is Arts and Culture Protection?

The San Francisco Arts Commission (SFAC), Office of Economic and Workforce Development (OEWD), Grants for the Arts (GFTA), Recreation and Parks Department, Department of Children, Youth and their Families (DCYF), Mayor's Office of Housing and Community Development (MOHCD), and other City agencies support numerous arts and community-based organizations as partners supporting a vibrant and healthy community. In addition to grants for services, several of these agencies provide capital and capacity grants.

GFTA provides general operating support grants for 220 arts organizations. Fiscal year 2019-20 grants funded 16 new organizations, and funding for small- and medium-sized organizations increased by 28 percent over last year. \$12.9 million in general operating support was awarded and an additional \$1.3 million was awarded to support arts and culture re-granting programs, civic events, and capacity building.

San Francisco artists, arts organizations, and historically underserved communities through grants, technical assistance and capacity building, economic development, arts education initiatives and the community-based Cultural Centers are supported by the SFAC's Community Investment Program. The Cultural Equity Endowment Legislation was established to advance San Francisco arts funding toward racial equity. Numerous grants programs are available to support San Francisco artists, arts organizations.⁵⁴

Cultural Centers serve the community by housing nonprofit organizations and providing low-cost arts programs, performance and exhibition space. GFTA provides funding to SFAC to support the four City-owned centers. Centers include: [African American Art & Culture Complex](#), also home to the [Queer Cultural Center](#); [Bayview Opera House Ruth Williams Memorial Theater](#); [Mission Cultural Center for Latino Arts](#); and [SOMArts Cultural Center](#), also home to the [Asian Pacific Islander Cultural Center](#). The Arts Commission also supports the American Indian Cultural Center.

OEWD provides lease negotiation, space search services, and access to capital and financing for arts and cultural organizations. Many are assisted through OEWD's Nonprofit Sustainability Initiative, a partnership with the SFAC and the MOHCD. San Francisco's Nonprofit Sustainability Initiative maintains

⁵⁴ Grants include the Artistic Legacy Grant, Cultural Equity Initiatives, Creative Space Planning and Facilities, Ebony McKinney Emerging Arts Leadership Grant, Individual Artist Commission, Organization Project Grants, WritersCorps Teaching Artist in Residence Grant.

<<insert link to legislation>>

and expands services and resources for residents by deploying financial assistance, professional services, assessment tools and other resources to help stabilize nonprofits and overcome barriers to growth.

OEWD has worked with several intermediaries including Community Vision Capital and Consulting (formerly the Northern California Community Loan Fund), and La Piana Consulting to deploy programs and services that prioritize nonprofits that are deeply rooted in low-income and historically underserved communities, are facing significant financial constraints within the nonprofit sector, can demonstrate support for their efforts from multiple sectors, clearly identify how new clients and/or audiences will be acquired and existing beneficiaries served effectively by the proposed space, and can demonstrate evidence of planning to identify and mitigate financial risk.

These programs have been adapted regionally and in other parts of the country. OEWD participates in Northern California Grantmakers' Nonprofit Displacement Working Group, which funded Spaces for Good, a free online tool that supports Bay Area nonprofits in offering and finding available office, co-working, event, and program space. Spaces for Good recently expanded to include commercial real estate and financial planning tools.

Why is protecting the arts and culture important?

The presence of arts and cultural organizations is crucial to community stabilization. The arts strengthen neighborhoods by building infrastructure, preserving cultural traditions and fostering positive change. San Francisco works to create strategies to protect, stabilize, and strengthen areas of the City that represent cultural heritages.

Key Trends

- Nonprofit Sustainability Initiative investments have seeded the creation of 84,185 square feet of newly nonprofit-owned space and stabilized 146,975 square feet of leased space for an average term of 7.1 years.
- Over half of the organizations that have received financial assistance through the Nonprofit Sustainability Initiative support access to arts and culture through their ongoing programs and resources.
- Last year, 26 organizations requested three times the available funding for projects that total \$38.1 million, potentially securing 168,310 square feet of nonprofit space.
- Since many arts and cultural organizations have fewer than 100 employees, the trends and challenges facing small business also apply to them.

What's Happening Now to Protect Arts and Culture?

In November 2018, San Francisco voters passed Proposition E which allocates a portion of the hotel tax revenue to arts and cultural services. The proposition increases allocations of projected hotel tax revenue to GFTA, SFAC, and MOHCD for granting programs to the community.

In 2019-2020, \$7.7 million is allocated to Nonprofit Sustainability Initiative programs including \$2.7 million for Community Cornerstones, targeted support for nonprofits moving into newly constructed

commercial space at affordable housing sites. Several of these spaces have been designated for arts and culture use through a community planning process. Because nonprofit housing developers control the sites they will be permanently stabilized, below-market cultural space.

In Winter 2020 OEWD, working with MOHCD, the Arts Commission, and Community Vision, will launch Community Cornerstones, a program that targets support for nonprofits moving into newly constructed commercial space at affordable housing sites. Several of these spaces have been designated for arts and culture use through a community planning process. Because nonprofit housing developers control the sites they will be permanently stabilized, below-market cultural space.

Supported by GFTA, Community Vision and CAST, two of the City's partners in arts and culture space stabilization, recently launched online resources -- Spaces for Good and Culture Compass. Both help organizations locate and evaluate existing and potential spaces for nonprofit arts and culture.

Spaces for Good is a free online tool that supports Bay Area nonprofits in offering and finding available office, co-working, event, and program space and offers resources for capital project planning, lease negotiation and financial sustainability. Culture Compass is a citywide, interactive online mapping tool that plots existing and potential spaces for nonprofit arts and culture activities in San Francisco alongside demographics, zoning, transit, and real estate development data. Users can learn about San Francisco's nonprofit arts and culture sector with key information that could help influence investment, policy, property acquisition and occupancy, and grant making decisions.

Issues with Protecting Arts and Culture

As real estate prices soar and access to affordable space becomes more limited, nonprofit arts and cultural organizations have limited options for space in San Francisco. If there is potential space available, it can be hard to find the space and have available funding for it.

Artists seeking support from the City must seek funds from SFAC. The application process for any city grant program can be a challenge to nonprofit or individual capacity. Though there are many grant opportunities for artists and organizations, they are tied to different ongoing strategies such as youth development, economic development, and health. The submission and reporting processes between different opportunities is uncoordinated.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Space acquisition, development and enhancement**
 - **Space availability education and outreach.** There is an opportunity to evaluate the current efforts to share existing and potential space information including: Culture Compass, Bay Area Performing Arts Spaces, Spaces for Good and the Property Information Map to understand how arts and cultural organizations utilize them and to identify strategies for marketing and user experience improvements. [Response: prevention; Task: policy implementation; Resource need: ••; Complex; Long term; Partners: SFAC, GFTA, OEWD, community organizations; Geographic scale: Citywide]
 - **Benefit:** Artists and cultural organizations would have an increased understanding of the city's spaces. Existing efforts exist and provide a solid baseline to build on.
 - **Challenge:** It is difficult to develop a comprehensive and current database of spaces. This effort would require staff time and additional resources.
 - **Expansion of housing assistance for artists.** Mission Economic Development Agency (MEDA) is providing a series of free workshops to help artists and cultural workers access the City's affordable housing pipeline. There is an opportunity to expand this program as well as explore other ways the City can meet their housing needs. [Response: Prevention; Task: policy implementation; Resource need: •••; Complexity: Complex; Length of impact: Long term; Partners: SFAC, MOHCD, OEWD, Planning, community partners; Geographic scale: Citywide]
 - **Benefit:** Artists would have greater awareness of and access to the City's affordable housing pipeline, potentially leading to more artists living in permanently affordable housing.
 - **Challenge:** Such an undertaking would require a significant amount of funding.
 - **Preservation and support for existing space.** There is an opportunity to formalize support for arts and cultural organizations that own their buildings, have long-term leases, or have budgets over \$2 million and do not currently qualify for capital improvement grants from city agencies. These organizations provide career pathways for artists and arts workers as well as rehearsal and gathering space. Technical and financial assistance might include: asset reserve analysis, engineering studies, space planning, strategic restructuring, facility budget projections, and financial assistance for tenant improvements. [Response: prevention, early intervention, mitigation; Task: data, funding; Resource need: •••; Complexity: Complex; Length of impact: Long term; Partners: SFAC, GFTA, MOHCD, OEWD, Planning, community partners; Geographic scale: Citywide]
 - **Benefit:** Artists and cultural organizations would have affordable spaces to remain in the City. An increased understanding of the city's resources will help to preserve and protect them.

- **Challenge:** Due to the current real estate market, there is a lack of affordable spaces for acquisition, much less development. Such an undertaking would require a significant amount of funding.

Resources

- San Francisco Arts Commission: <https://www.sfartscommission.org/>
- San Francisco Grants for the Arts: <http://sfgfta.org/>

DRAFT

Cultural Districts Initiative

The purpose of the Cultural Districts Initiative is to celebrate and strengthen the unique cultural identities of San Francisco's neighborhoods to preserve and promote diverse communities' cultural assets and to ensure that residents and institutions thrive; and, to formalize partnerships between the City and communities.

Background

What is a Cultural District?

A cultural district is a geographic area or location within San Francisco that embodies a unique cultural heritage. Cultural Heritage is defined as containing a concentration of cultural and historic assets, culturally significant enterprise, arts, services, or businesses and a significant portion of its residents or people who spend time in the area, are members of a specific cultural community or ethnic group that historically has been discriminated against, displaced or oppressed.

Through a formalized, collaborative partnership between the City and communities, the mandate requires that the City coordinate resources to assist in stabilizing vulnerable communities facing, or at risk of, displacement or gentrification. If achieved, this will enable individuals, families and the businesses that serve and employ them, as well as nonprofit, community arts and educational institutions to live, work and prosper within the city. Each Cultural District is led by a community-based group with an executive director, an and advisory body, and is expected to maintain a robust community engagement and communication effort.

Current cultural districts include: Japantown Cultural District, Calle 24 Latino Cultural District (in the Mission), SoMa Pilipinas – Filipino Cultural District, Compton's Transgender Cultural District (in the Tenderloin), Leather and LGBTQ Cultural District (in the SOMA), African American Arts and Cultural District (in the Bayview), and Castro LGBTQ Cultural District.

Why is Creating a Cultural District Important?

The Cultural Districts program aims to bring resources in order to stabilize vulnerable communities facing or at risk of displacement or gentrification, and to preserve, strengthen and promote our cultural assets and diverse communities. The Cultural District Initiative calls on City Departments to collaborate and partner with community groups to establish a clear strategic plan to fulfill each District's vision and goals, resulting in a Cultural History, Housing and Economic Sustainability Strategies (CHHESS) Report. Extensive community engagement and City reports, and data will inform each District's CHHESS Report so that it can serve as a 'roadmap' to stabilize vulnerable communities facing, or at risk of, displacement or gentrification.

San Francisco's unprecedented housing and affordability reality has pushed neighborhood stakeholders into a state of working feverishly to stabilize their community. Coupled with historical trauma and inequities the Cultural District's scope and vision is immense. The City acknowledges that supporting local leaders, building skills and a strong foundation in nonprofit management and financial knowledge

is key to ensure success. The Mayor's Office of Housing and Community Development (MOHCD) believes in supporting the Cultural Districts beyond their legislated scope of prioritizing and implementing cultural stabilization strategies and has committed to supporting the Cultural District's leadership in achieving self-determination and the skills necessary for long term power, economic sustainability and neighborhood wellness.

The Cultural Districts Initiative is a long-term community building process with clear benchmarks and outcomes. This City and Community partnership model enables two-way education and the potential for creating new tools and innovative ideas related to cultural sustainability, access to affordable housing, environmental and artistic resilience, economic and workforce development. Ultimately, we want to improve City services, policies and narratives to be culturally responsive and support our neighborhoods to thrive.

Key Trends

- On May 30, 2018, Mayor London Breed signed Board legislation formalizing the current MOHCD initiative that supports Cultural Districts. Subsequently, Proposition E passed by a 75 percent majority in November 2018, allocating \$3 million annually from the City's Hotel Tax to support Cultural Districts.
- Each legislated Cultural District receives start-up funding from the Mayor's Office of Housing and Community Development. The goal of the funding is to invest in healthy, transparent and diverse neighborhood based Cultural District groups and ensure that each District utilizes fiscally sound systems and can attain strong, place keeping outcomes.
- Each Cultural District partners with MOHCD, Planning, OEWD, Arts Commission and others, to initiate the Cultural History, Housing and Economic Sustainability Strategies (CHHESS) Report process. The CHHESS Report will serve as a 3-year strategic plan for each District. The CHHESS process allows for the broader community to participate in building the roadmap of priorities and strategies while the City provides a dashboard of current data, demographics and inventory of City efforts within each District.
- The overarching goal of the Cultural Districts Initiative is to promote the capacity of local communities to develop, implement and sustain their own solutions to problems in a way that helps them shape and exercise control over their physical, social, economic and cultural environment.

Issues Related to the Cultural District Program

The funding needs and requests for implementation of each Cultural District strategic plans, the CHHESS Reports, far exceed the resources available through Prop E funds. There are currently seven cultural districts who have been awarded funds to develop and implement strategies and three additional proposed districts in the pipeline. As more districts are added, funding will not grow proportionate to the number of cultural districts. In other words, as more districts are added, there will be is potential for less funding per district.

Each Cultural District is unique in its capacity, its number of community-based organizations and its level of cohesion and intra-communications. Compounded with historical trauma and the stress associated with societal inequities, creating a community-wide large and diverse engagement process can be challenging and it requires support, time, resources and flexibility.

The Cultural District legislation mandates that a CHHESS Report is written within one year; this can be a challenge not only for the community but also for the City in coordinating across sectors and ensuring diverse voices and perspectives. Once approved by the full Board of Supervisors the Report guides implementation although the resources may not be available for all the strategies prioritized by the community. Upon the three-year mark, MOHCD and the Cultural District are to review and adjust the CHHESS with the same Departments and community groups that participated in the original authoring.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Cultural District Initiative capacity.** The recently formalized program of cultural districts created the opportunity to expand the capacity of existing and future cultural districts to support the community-led process as they craft their respective Cultural History, Housing and Economic Stabilization Strategies (CHHESS) and move towards its implementation. The CHHESS will strengthen government and community partnerships and coordination. There is an opportunity to fully build the capacity of this program as it launches in order to expand it to areas of the city where it might be needed in the future. Additional capacity will build grassroots policies and protocols to guide development of cultural districts in a manner that builds community collaboration and cohesion. [Response: prevention, mitigation; Task: funding; Resource need: •••; Complex; Long term; Partners: MOHCD, SFAC, OEWD, Planning, community partners; Geographic scale: Citywide]
 - **Benefit:** Additional capacity will further support the celebration and protection of cultural districts throughout the city.
 - **Challenge:** There are limited resources to support community groups and City staff. While each cultural district has a unique identity and history, strategies should ensure that the community as whole is included, otherwise community members could feel excluded.

- **Dedicated funding source beyond Prop E funds.** With the growing interest in cultural districts in the city, there is an opportunity to partner with philanthropic entities and other potential funding sources to support the place keeping strategies and cultural sustainability projects. [Response: prevention; Task: funding; Resource need: ●●●; Complex; Long term; Partners: MOHCD, SFAC, OEWD, Planning, community partners; Geographic scale: Citywide.]

 - **Benefit:** Consistent funding would support the development and implementation of cultural districts- not just the Cultural District's institutions but the many endeavors within the Districts.
 - **Challenge:** There is a lack of available funding. Setting aside funding specifically for arts and culture could mean taking away funding from a larger issue such as housing.
- **Inclusive model of kinship among cultural efforts.** The diaspora reality precludes the Cultural Districts to enforce borders. Given that cultural businesses and endeavors exist beyond the boundaries of the Cultural Districts, it requires the inclusion of a 'kinship' or partnership model that would allow cultural efforts anywhere in the City to be allies of the cultural preservation work. [Response: mitigation; Task: policy implementation; Resource need: ●●; Medium; Long Term; MOHCD, OEWD, Planning, San Francisco Travel, community partners; Geographic scale: Citywide]

 - **Benefit:** It allows cultural communities to see themselves wherever they are and not exclude a cultural asset that is not within the geographic boundaries of the District.
 - **Challenge:** There is lack of available funding, and the legislation is specific to a geography therefore the alliance may be primarily in the realm of marketing, events and awareness.
- **Embracing tourism while maintaining an authentic cultural center and focusing on a local target population.** Research has shown a foggy link between gentrification and tourism which makes it difficult to determine how to encourage tourism for a healthy economy while also preserving the cultural eco system and supporting small local businesses. Managing the need to attract the new tastes of visitors can affect the cultural landscape of a neighborhood and the people whose jobs depend on tourism. However, additional technical assistance and robust support is needed for small business succession planning and adjusting to the slowdown of retail site usage. [Response: mitigation; Task: policy implementation; Resource need: ●●; Medium; Long term; Partners: MOHCD, OEWD, Planning, San Francisco Travel, community partners; Geographic scale: Citywide]

 - **Benefit:** Promoting tourism will help stabilize and strengthen the identity of the district while contributing to the district's economy.

- **Challenge:** High rents and a lack of long-term affordable leases are an ongoing challenge for local neighborhood cultural enterprises. Finally, many of the Cultural District's, their businesses and their historical assets are not included within the highly circulated and highly marketed San Francisco tourism materials.

Resources

- Adopted Cultural District Legislation: <https://sfbos.org/sites/default/files/o0126-18.pdf>

Economic Development

[subchapter break]

Introduction

The Office of Economic and Workforce Development (OEWD) is a department within the City and County of San Francisco focused on advancing equitable and shared prosperity for San Franciscans by growing sustainable jobs, supporting businesses of all sizes, creating great places to live and work, and helping everyone achieve economic self-sufficiency. The City is committed to equitable outcomes and the strategies implemented are designed to achieve a diverse, equitable, and inclusive city.

Collectively, the department has seven divisions with that are responsible for strengthening San Francisco's many diverse neighborhoods and commercial corridors, curating a business climate where companies and small businesses can grow and prosper, creating and connecting residents to good-paying careers, and ensuring a continually high quality of life for all San Franciscans. The seven divisions include: Office of Small Business, Film SF, Workforce Development, Shared Services, Invest In Neighborhoods, Joint Development and Business Development. Together the seven divisions provide programs and policies to support workforce development, business attraction and retention, neighborhood commercial revitalization, international business and development planning. One of the department's goals is to support diverse and vibrant neighborhoods by strengthening and investing in small businesses, nonprofits, community organizations, commercial corridors and public spaces.

Business Retention and Stabilization

Fostering shared and equitable prosperity for all residents, including the unemployed, underemployed and hard to employ, by preparing, training, and connecting San Franciscans to sustainable jobs with strong career pathways, and supporting diverse and vibrant neighborhoods by strengthening and investing in small businesses, nonprofits, community organizations, commercial corridors and public spaces, are the responsibilities of the Office of Economic and Workforce Development.

Background

What is Business Retention and Stabilization?

The Office of Economic and Workforce Development's (OEWD) seven divisions advances equitable and shared prosperity for San Franciscans by growing sustainable jobs, supporting businesses of all sizes, creating great places to live and work, and helping everyone achieve economic self-sufficiency. The preservation of businesses is an important aspect of OEWD's functions to support equitable access to economic opportunities and strengthen our local economy within the City. OEWD's business services span over multiple programs and teams including but not limited to Invest In Neighborhoods, Business Development, Workforce, The Office of Small Business (OSB) and the Film Office. The OSB is directed by the Small Business Commission and acts as the central point of information for entrepreneurs and small businesses in San Francisco. A small business is defined as a business with fewer than 100 employees, and the mission of OSB is to retain and promote these types of businesses in the City.

The following policies and programs led by OEWD and the OSB are categorized into types of support or loan programs:

Technical Support Programs

- Legal and Lease Assistance Services are designed to assist business owners, institutions and community organizations with lease review, negotiation, and capacity building, with the goal to ensure that they stay and thrive in San Francisco.
- The Small Business Development Center provides business owners and managers with information, training, and specialized one-on-one consulting and access to financing services in English, Spanish, Mandarin, and Cantonese.
- The Small Business Assistance Center within the OSB informs small businesses on the available technical assistance and City support programs, and advises on the licensing, permitting, labor, and other regulatory requirements necessary to launch, expand and/or relocate a business.
- OpenSF helps business owners navigate the complexity of opening in the City and includes guidance and a dedicated case manager for applying for permits and licenses needed to open a business in the City.
- The [San Francisco Business Portal](#) is a website serving as a primary online resource to help people navigate the steps to start, manage, and grow a business.

- Community Development Block Grant (CDBG) portfolio funds economic development through Community-Based Organizations (CBOs) focused on assisting low- to moderate-income persons and families towards micro-entrepreneurship (a business with five or fewer employees).
- Women's Entrepreneurship assistance works with several nonprofit partners to provide a variety of business programs for women who are aspiring entrepreneurs or are business owners in San Francisco.
- Commercial space ownership strategies are deployed as a mechanism for startups and existing businesses to ensure stabilization and long-term sustainability through the provision of technical assistance.
- Business succession planning support educates business owners on opportunities for succession planning and provides consultants and feasibility studies in order to stabilize communities by strengthening their businesses and build community wealth by sharing ownership with employees.

Compliance Support Programs

- SF Shines Façade and Tenant Improvement Program provides grants, design assistance and project management services to improve storefront façades and business interiors.
- Code Compliance Improvements/Accessible Building Entrance Program services promote inclusion by providing technical and financial assistance to small businesses to improve their storefronts for public access and ensures compliance with the Americans with Disabilities Act (ADA).

Funding Assistance Programs

- Low interest business loans provide financial assistance for entrepreneurs to start and grow their businesses in San Francisco.
- The Disaster Relief Program provides post-disaster assessments to individual businesses to determine what resources they need to maintain or rebuild their business following a disaster and provides grants, assistance with employee needs, and access to capital.
- Women Entrepreneurship Fund provides mini-grants to San Francisco women-owned small businesses for projects and upgrades that will have a transformative impact on the business' ability to grow.

Targeted Business Support Programs

- The Nonprofit Sustainability Initiative assists nonprofits in securing spaces and long-term leases. The initiative includes two programs — the Nonprofit Space Investment Fund and the Nonprofit Space Stabilization Program. The programs provide technical and financial assistance to support nonprofit sustainability.⁵⁴
- Community cornerstones assists nonprofits and small businesses in newly built or acquired affordable housing with support planning, relocation and renovation expenses. This will ensure

the resiliency and stability of nonprofits and small businesses in spaces adjacent to below market housing.

- The Legacy Business Program is designed to retain and stabilize longstanding, anchor businesses and institutions by securing formal recognition as Legacy Businesses and making them and their landlords eligible to apply for Business Assistance Grants and Rent Stabilization Grants through the Legacy Business Historic Preservation Fund.
- Production, Distribution, and Repair (PDR) sector assistance provides permitting and zoning support, workforce services, real estate assistance, and business development resources.
- Healthy RetailSF supports business owners of local convenience stores (also known as corner stores) in diverse, low-income neighborhoods, with limited access to healthy affordable food, to help shift business models and make needed changes to provide healthier food options while ensuring that businesses remain competitive.
- Music venue sound mitigation assistance program supports venues with needed tenant improvements to stabilize, strengthen and grow their businesses including sound mitigation measures to prevent or resolve noise complaints from nearby residents.
- Freelancer business bootcamp supports independent contractors and entrepreneurs in San Francisco to maximize their economic potential and strengthen their connection to the business community.

Other Programs

- Shop & Dine in the 49 Marketing Campaign was launched in November 2015 to support local business and local jobs by encouraging consumers to buy local.
- Construction Mitigation Program offers services and programs to help small businesses weather the impacts of long-term construction projects on their operations and revenue.
- SF Biz Connect works to create local business to business connections ensuring that the spending of our local businesses is directed towards other local businesses to increase the multiplier effects of local business growth.

Why is Retaining and Stabilizing Businesses Important?

Small businesses contribute to the vibrancy of communities by providing jobs and community-serving goods and services. Retail, commercial, service, and manufacturing businesses throughout the city provide local employment opportunities for residents of all ages and incomes. Small businesses also provide a variety of products for residents and visitors and contribute to the unique identity of a community. Small businesses need to stand out from the crowd in order to survive and strive to be innovative and contribute to a healthy marketplace. Small businesses owners and managers also tend to be involved in their local community – building relationships with customers and nearby residents and businesses.

The Legacy Business Program in Action

“In December 2016, Navarro’s Kenpo Karate Studio (the “Karate Studio”), a martial art school originally located in the Mission neighborhood, was approved to be a Legacy Business. To be listed on the Legacy Business Registry, a business must be 30 years or older, must have contributed to the history and/or the identity of the city and must be committed to maintaining the physical features or traditions that define the business. The Karate Studio was started by its founder in 1966 in his home garage. After 53 years of development, the Karate Studio has moved 3 times and settled in its current location in the Excelsior neighborhood in February 2017 with relocation assistance through the Office of Economic and Workforce Development. The Karate Studio was re-opened in April 2019 and was provided with marketing assistance from The San Francisco Small Business Development Center. The business is eligible to receive a Business Assistance Grant of up to \$500 per full-time equivalent employee, and the property owner is eligible to receive a Rent Stabilization Grant of up to \$4.50 per square foot of leased space annually since they have signed a 10-year lease with the business. In view of the stabilization effect provided by the Legacy Business Program, the Karate Studio is now enjoying a peace of mind because they know that they can teach Karate classes at their current location at least through January 2027.”

Key Trends

- Mission Asset Fund, La Cocina, Renaissance Entrepreneurship Bayview, Excelsior Action Group, Mission Economic Development Agency (MEDA), Wu Yee Children’s Services, Legal Services for Entrepreneurs, Northeast Community Federal Credit Union, and SF LGBT Community Center, among others, have benefitted from OEWD’s technical support programs.
- Voters did not identify a dedicated funding source for the Legacy Business Program.
- The Mayor’s Office approved \$1 million per year to be directed to grants for Legacy Businesses.
- At the end of June 2019, the citywide total retail vacancy rate was 3.6 percent⁵⁵ and the average storefront vacancy rate was 10.2 percent within 24 Invest In Neighborhoods (IIN) Neighborhood Commercial Districts.⁵⁶
- Between 2013 and 2018 average storefront vacancies surveyed within the 24 IIN corridors increased from 9.8 to 12.2 percent. The lowest IIN corridor vacancy rate in 2018 was 4.5 percent and the highest IIN corridor vacancy rate was 23.9 percent in 2018
- The average storefront vacancy rate for 24 neighborhood commercial corridors the City collects data for has increased from 3.6 percent since December 2014, to 12.9 percent in June 2019.
- Over the past 3 years, the number of annual business permits issued remained steady; 669 permits were issued in 2018.

What’s happening now to retain and stabilize businesses?

In March 2019, the San Francisco Board of Supervisors unanimously passed an ordinance to strengthen the existing Department of Building Inspection’s Vacant Storefront Enforcement Program. The ordinance

⁵⁵ Costar Data

⁵⁶ As of June 2019, based on OEWD’s bi-annual storefront vacancy survey. 24 Invest in Neighborhood Corridors are listed here: <http://investsf.org/neighborhoods/>

requires owners of vacant storefronts to register vacant storefronts and pay a \$711 annual registration fee. Those who do not comply will have to pay an annual penalty of \$2,844. Supervisor Peskin is considering proposing a new tax on storefronts that remain empty for more than six months, a new tax would have to be ratified through a future general election.

SFMade is a local organization that advances ideas to support and grow urban manufacturing, including policy recommendations and workforce development. PlaceMade is the City's first and only nonprofit affordable industrial real estate developer founded by SFMade and the City in 2013.

Potentially increasing the amount of PDR space in the city, a current Recology site at 900 7th Street is currently exploring a development based on this model that would include PDR with office and housing on separate parcels. Adobe's office at 100 Hooper Street is an example of where office was allowed in return for the development of BMR PDR maintained by SFMade. In 2016, the City published a Make to Manufacture Advanced Manufacturing Playbook to guide the new development of manufacturing and expansion of workforce.⁵⁶

The One-Stop Permitting Center that will be opening at a new location at 49 Van Ness brings together multiple permitting agencies in one place to make applications easier for business owners and other parties interested in building, planning, or other permits. The Planning Department is undertaking a commercial land use survey.

The City of New York proposed the Small Business Jobs Survival Act (Intro 737) that would apply to all buildings or spaces that are non-residential and would give tenants a statutory right to renew leases for an additional 10-year term. However, the bill faces legal challenges and does not clarify impacts on tenants who land lease or the difficulty of enforcement. In California this type of bill would require a change to state law.

Issues with Retaining and Stabilizing Businesses

Rising commercial rents are a challenge for commercial tenants in the city. Commercial tenants do not have the same protections as residential tenants, and commercial properties are not rent stabilized unless a property owner decides to voluntarily cap rents.

Further, impacts on rent come from pass throughs. Even if the base rent remains constant, as taxes are increased, either through a sale of the property, future impacts of split roll legislation at the state or local ballot initiatives such as the 2018 Commercial Rent Tax for Childcare and Early Education, businesses can be subject to destabilizing costs associated with their location as a result of the pass throughs.

Small businesses encounter issues when trying to apply for a conditional use authorization (CUA) when relocating to a new neighborhood or new commercial space. The process is time-consuming and confusing and impacts the financial stability of a new business, especially if the business has signed a lease and is paying rent while waiting for a CUA to be approved before opening for business.

Nominations to the Legacy Business Program are made solely by an elected official, which has led to staggered levels of involvement with some Districts having more Legacy Businesses than others. Residents and Community groups can partner with their District Supervisor on identifying legacy businesses to nominate. The application is available in City's four official languages (English, Spanish, Chinese, and Filipino) and can be completed in any language other than English with the OSB translating the application back to English. Additionally, very small businesses are more challenged in completing the application, particularly if English is not their native language. This has been partially offset by partnering with community groups such as the Japantown Task Force and the Ocean Avenue Association.

PDR space in the City is valuable to the economy and to small manufacturing and distribution businesses, but a substantial amount of PDR-zoned land has been converted to other uses in the past. Preserving and incentivizing PDR space in the City is important to retain these types of small businesses in operation.

There is a need to increase our support of local, small businesses as costs escalate and the rise of e-commerce continues to change the state of retail and challenge independent retailers. There is also a need to regulate e-commerce retail to the same degree as brick and mortar or reduce the amount of regulation of brick and mortar to be commiserate to the regulations for online retailers. App-based order and delivery businesses present new challenges on and opportunities for local brick and mortar businesses that must also be addressed.

The Planning Code (section 303.1) limits the growth of local businesses by requiring businesses with more than ten locations to go through a longer vetting process when applying to open more locations in certain parts of San Francisco. Originally created to limit the number of chain stores, the law also impacts San-Francisco based niche businesses, when trying to expand in the City.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

Existing City Programs and Policies

- **Registry of commercial rental space.** Understanding what types of commercial spaces are vacant or rented would help policy makers propose legislation to stabilize businesses and target support. Annual storefront use data could be collected and uploaded to the San Francisco Property

Information Map (PIM) and made publicly available. OEWD would use the data to target business retention and other services. [Response: Mitigation, Task: data, regulation; Resource need: ••; Complexity: Complex; Length of impact: Long term; Partners: OEWD, DBI, Planning; Geographic scale: Citywide]

- **Benefit:** This would help shape policy regarding business stabilization. For example, if newer and larger commercial spaces are vacant more often than older and smaller commercial spaces, staff could explore requiring flexible commercial floor plans in newer developments to make these spaces more affordable or more appealing to business owners.
- **Challenge:** this would require resources and funding. It would require regular upkeep to be useful.

Ideas to Explore Further

- **Addressing pass throughs of rising taxes.** Over time, properties change hands and property tax is adjusted to the market rate. The state is considering a split roll initiative and voters are implementing taxes on landlords, such as the June 2018 Proposition C “Commercial Rent Tax for Childcare and Early Education.” Meanwhile, tenants can see their rent rise dramatically as landlords are able to pass the cost burden to the commercial tenant through the lease. A slower implementation of new taxes over time could assist commercial tenants absorb these increased lease pass through costs over time. [Response: mitigation; Task: regulation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]
 - **Benefit:** A slower implementation of new taxes over time could assist commercial tenants absorb these increased lease pass through costs over time and help prevent displacement.
 - **Challenge:** Legislative changes would be required.
- **Expanding opportunities for small, office-based businesses in Neighborhood Commercial Districts (NCDs).** Many small Class B office (such as older office buildings) users, are finding it hard to stay in San Francisco and expanding opportunities for these small office-based businesses to locate in second and third stories in the city’s neighborhood commercial districts (NCDs) could help to expand options. [Response: mitigation; Task: regulation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]
 - **Benefit:** This will result in increased opportunities for them to remain in San Francisco while simultaneously bringing new customers (the employees) to the retailers in the corridors.
 - **Challenge:** Requires interagency coordination and legislation to enact.

- **Small business relocation application prioritization.** Reducing the length of time to approve the conditional use authorization for legacy businesses relocating will reduce the financial burden on the business owner. [Response: mitigation; Task: service; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]
 - **Benefit:** This would help stabilize the business by reducing the financial burden of paying commercial rent but not being able to operate a business legally in new location.
 - **Challenge:** Would require more funding and resources to be able to expedite certain permits.

- **Enhance Legacy Business program**
 - **Legacy Business Program partnership with community groups.** OEWD and OSB could expand the number of very small businesses nominated and placed on the Legacy Business Registry by partnering with additional community groups who can work with applicants in their respective neighborhoods. [Response: early intervention, mitigation; Task: service; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB; Geographic scale: Citywide]
 - **Benefit:** This would allow more eligible business to access the Historic Preservation Fund, particularly the rent stabilization fund.
 - **Challenge:** This would require more funding and community groups with trained resources in writing and storytelling.

 - **Multi-language outreach materials for the Legacy Business Programs.** OEWD and OSB could explore providing the applications and outreach materials in more languages than the City's minimum four official languages (English, Chinese, Spanish, and Filipino). [Response: early intervention, mitigation; Task: service; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB; Geographic scale: Citywide]
 - **Benefit:** A more diverse population can have access to the program information available.
 - **Challenge:** This would require more funding and resources, and updates to existing and new resources.

- **Process Improvements and Clarification**
 - **Streamline permit process for businesses.** Review neighborhood commercial districts (NDCs) zoning periodically with constituents and policy makers to verify appropriate level of use restrictions over time to keep pace with changes in consumer and community preferences and market trends. Identify internal streamlining goals for permit application review by city agencies. [Response: mitigation, Task: regulation;

Resource need: More information required; Complexity: More information required; Long term; Partners: OEWD, OSB, Planning Department; Citywide]

- **Benefit:** This would reduce time and cost of opening a new business. It would also provide more location options for businesses seeking to open or expand within San Francisco.
 - **Challenge:** Community members in NCDs rely on the conditional use authorization (CUA) process to provide community review, notification and input into the planning permitting process on a case by case basis. Community members rely on use restrictions to prevent uses that they dislike but CUA or Not Permitted (NP) designations may simultaneously exclude uses that they may want as well. For example, professional service and general office is excluded in most NCD ground floor and above ground floor levels, in some cases these uses may require a CUA to locate above ground floor. Yet some small office uses that support other local businesses, especially culturally and linguistically diverse office and professional service uses (such as insurance offices, legal services, and service providers) may be desirable in the commercial area by community members. Currently there is no way to distinguish between desirable office uses and non-desirable office uses within an NCD or other commercial zones.
- **Planning staff guidance on applying for conditional use authorizations (CUAs).** Planning staff could provide additional guidance to businesses on applying for conditional use authorizations (CUAs) to accelerate the process. [Response: early intervention; Task: service; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]
 - **Benefit:** This may help accelerate the process for small businesses and help attract and stabilize needed neighborhood goods and services.
 - **Challenge:** This would require more funding and resources.
 - **Local businesses exemptions from Planning Code 303.1.** San Francisco Planning Code 303.1 seeks to “protect San Francisco’s vibrant small business sector and create a supportive environment for new small business innovations” by placing mandates specific controls on “formula retail” uses (commonly referred to as “chain stores”).⁵⁷ By placing the same restrictions on both local businesses and national chain stores, the law might be unintentionally placing financial burden on smaller, local businesses. The City could explore amending the Code to exempt any business locally established in San Francisco or placing restrictions on local

⁵⁷ San Francisco Planning Code 303.1 Online:

[http://library.amlegal.com/nxt/gateway.dll/California/planning/article7neighborhoodcommercialdistricts?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:sanfrancisco_ca\\$anc=JD_703.3\\$sync=1](http://library.amlegal.com/nxt/gateway.dll/California/planning/article7neighborhoodcommercialdistricts?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$anc=JD_703.3$sync=1)

businesses for more than the twenty locations instead of ten locations. [Response: mitigation; Task: regulation Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]

- **Benefit:** Smaller local businesses that have many locations can grow and more easily open new locations enhancing the stability of those businesses.
 - **Challenge:** Clearly delineating between local businesses and national chain stores is a challenge would require more research and resources.
- **Formula retail definition for e-commerce and app-based retailers.** Consider a definition for e-commerce/app-based business retailers that establishes equivalent thresholds to a brick and mortar Formula Retailer, (a standardized array of merchandise, a standardized facade, a standardized decor and color scheme, a uniform apparel, standardized signage, a trademark or a service mark." In other words, retail stores with multiple locations and a recognizable "look" or appearance.) [Response: early intervention and mitigation; Task: regulation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, OSB, Planning Department; Geographic scale: Citywide]
 - **Benefit:** Protects both San Francisco's vibrant small business sector and current formula retailers approved through the conditional use process and deemed beneficial to San Francisco's character and unique aesthetic qualities. It will also create a supportive environment for small business to grow into harmonious formula retail uses that are compatible with the neighborhood.
 - **Challenge:** Defining such a definition will require research, resources and regulation.
 - **Preserve and produce Production, Design, and Repair (PDR) space with an in-lieu fee.** Consider an in-lieu fee option when displacing existing PDR space. Explore opportunities to expand affordable PDR space and existing PDR replacement requirements. Additional funding collected through in-lieu fees can help create more opportunities to preserve or create PDR space. The Affordable Housing Trust Fund could serve as a model for this program. [Response: mitigation; Task: regulation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, Planning Department, community partners; Geographic scale: Citywide]
 - **Benefit:** This would continue to ensure that any existing PDR space that is removed is replaced while increasing flexibility in the replacement mechanism through an in-lieu fee option.
 - **Challenge:** City agencies would need to work with developers or organizations funding or building new buildings to find space for new PDR. Would require more monitoring of existing PDR space, tracking future PDR sites, and implementation.

- **Add incentives for developers to build PDR space in commercial developments.** Planning could explore adding incentives such as a commercial density bonus to developers who choose to include subsidized or affordable PDR space in their developments. [Response: mitigation; Task: regulation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: OEWD, Planning Department, private developers; Geographic scale: Citywide
 - **Benefit:** Instead of adding regulation or a “stick” this would provide a “carrot” to help create more new PDR spaces to replace lost PDR, and provide subsidized affordable spaces for PDR businesses to operate in.
 - **Challenge:** Additional study would be required to research the mechanics of the density bonus and the geographies where this would apply.

Resources:

- Office of Economic and Workforce Development, Invest In Neighborhoods. Online: <https://oewd.org/neighborhoods>
- Office of Small Business, Legacy Business Program webpage: <https://sfosb.org/legacy-business>
- Office of Economic and Workforce Development, Production, Design, and Repair. Online: <https://oewd.org/Industrial>

Commercial District Planning, Management, Safety, and Vibrancy

The Office of Economic and Workforce Development (OEWD) provides customized support to stabilize neighborhood commercial corridors and the small businesses and nonprofits within them. The department also invests in physical assets and civic spaces that promote a safe and vibrant environment for social, recreational, cultural and economic activities.

Background

What is Commercial District Planning, Management, Safety and Vibrancy?

Invest In Neighborhoods (IIN) is a division within OEWD that implements programs focused on neighborhood commercial district planning, management, safety, and vibrancy — The strategies deployed are intended to advance opportunities for all. The division implements programs and services with the support of community partners to increase quality of life and economic opportunities within neighborhoods and commercial corridors. IIN seeks to advance economic opportunities in the City's neighborhoods using strategies centered on diversity, equity, and inclusion to ensure increased quality of life and prosperity for all residents.

The division's guiding objectives are to build community capacity, fortify neighborhoods and their economies, improve physical conditions and strengthen small businesses. Some of the services offered support small business assistance, safety and cleanliness, physical improvements to buildings or commercial spaces, positive activation of public spaces and engagement of residents along targeted corridors throughout the city. IIN programs and services are intended to maximize impact within five strategic areas: small businesses, storefronts and buildings, commercial corridors, public spaces and neighborhoods. The programs and services focused on supporting small businesses are covered under the business retention and stabilization section of this report.

Services provided to neighborhood commercial districts are largely coordinated and deployed through three commercial district management programs: Community Benefit Districts, Opportunity Neighborhoods and Cultural Districts.

Community Benefit Districts

The Community Benefit District (CBD) Program provides technical assistance for district planning through the management plan and engineer's report development, district establishment which requires a special election and legislative approval, and operational support to improve the overall quality of life in targeted commercial districts and mixed-use neighborhoods through partnerships between the City and local communities.

OEWD oversees 18 local community benefit districts in the City. Each CBD is managed by a non-profit agency. Community Benefit Districts are required to complete an annual report that outlines the year's achievements and financials including income, expense, asset, liabilities, new assets, and carry over which are reviewed by OEWD and heard by the San Francisco Board of Supervisors' Government Audit

and Oversight Committee. OEWD's annual report shares the Department's accomplishments and financials from that fiscal year.

Within the existing 18 community benefit districts, 16 are focused on commercial districts within the city including:

- Castro
- Central Market
- Civic Center
- Discover Polk
- Downtown
- Fisherman's Wharf
- Greater Rincon Hill/East Cut
- Japantown
- Lower Polk
- Moscone Expansion District
- Noe Valley
- Tenderloin
- Ocean Avenue
- SoMa West
- Top of Broadway
- Tourism Improvement District
- Union Square
- Yerba Buena

The establishment of a CBD is initiated when property owners and other stakeholders, see a benefit and work together to assess the feasibility of passing one through an election process. Once an area has voted to establish a CBD, local property owners within the district boundaries are levied a special assessment to fund improvements to the district area. Services provided by CBDs tend to include, but are not limited to, sidewalk cleaning, security, beautification and decorations, branding, tree and plant maintenance, and pedestrian wayfinding.

Some CBDs tailor services specific to the neighborhood's needs. For example, the Tenderloin CBD manages the Safe Passage Program, which is a coalition of Corner Captains who are trained to respond to different emergencies in the neighborhood and maintain a daily positive presence for children and youth walking on the sidewalks. The Lower Polk CBD hosts a Tenant-Landlord Clinic designed to help prevent homelessness by keeping people housed in their current homes.

Opportunity Neighborhoods

The Opportunity Neighborhood's program targets neighborhoods that have experienced historic divestment and have an economic development strategy that promotes diversity, equity and inclusion.

These neighborhoods have an assigned project manager that works closely with community stakeholders and other city departments to strategically disburse investments including funds and services and support an economic development strategy.

The opportunity neighborhoods include:

- Bayview
- Central Market/Tenderloin
- Chinatown
- Excelsior
- Lower Fillmore
- Mission (24th and Mission Streets)

Cultural Districts

The Office of Economic and Workforce Development is a key partner to the Mayor's Office of Housing and Community Development in the implementation of the Cultural District program whose focus is on advancing equitable and shared prosperity for San Franciscans by growing sustainable jobs, supporting businesses of all sizes, creating great places to live and work, and helping everyone achieve economic self-sufficiency. Staff supports and leverages economic resources to ensure that there is alignment and a comprehensive approach to each district's economic development strategies. In addition, our division coordinates with our neighborhood project managers where the districts overlap with our programs and grants. Additional information on this can be found in the Cultural Districts Program summary.

Other Programs

The Citywide Public Space Initiative is a recently piloted program implemented in collaboration with the San Francisco Parks Alliance that helps communities improve their public spaces. The program supplements the City's critical cleaning and safety services with regular activation, beautification projects and community engagement in conjunction with community partners.

In addition to the neighborhood commercial district focused program areas described above, OEWD's Invest In Neighborhood Grants (IIN) Division awards grants to nonprofit and for-profit partners, through a competitive application process. Grants support projects across all four strategic areas: small businesses, storefronts and buildings, public spaces and neighborhood commercial district. Availability and amount of grants varies annually based on funding allocations through the City's budget process. Projects also vary annually based on proposals, but in the past, they have included activities that increase the vibrancy of our neighborhood commercial districts and support small businesses. Some of these activities include, but are not limited to: public events, marketing campaigns, organizational support to merchants' organizations, addressing public safety and increased support to small businesses in neighborhood corridors.

Key Trends

Since the inception of the Invest In Neighborhoods Division in 2012, national trends impacting the local economy have changed from high unemployment to low unemployment. For example in 2012 unemployment peaked at 7.6% in January in comparison, as of October 2019, the San Francisco unemployment rate was 2.0%, ranking below 3% for a record 26 straight months. While low unemployment and increased employment options is a positive trend for our local workforce; it has increased the competition amongst businesses for workers. The high cost of living, increasing labor costs and competition with industries, who offer better compensation or more flexible hours, has created a recruitment and retention challenge for many businesses.

Another way national trends have impacted our commercial districts is related to the shift of retail trends to online shopping, where online sales are driving retail growth. This has lowered the demand for ground floor retail and is shaping the types of businesses that occupy the districts. Across the nation, cities are grappling with storefront vacancies as retail sales slow. Shopping habits and trends have shifted over the past few years and various types of storefront businesses continue to face local challenges, such as the cost of labor, lack of affordable commercial spaces, and demographic shifts. Many neighborhood commercial districts are beginning to demonstrate modest increases in vacancy rates, and community organizations and stakeholders have observed the closure of long-standing retailers.

In light of these trends, the following are opportunities:

- General economic trends point to a strong economy, including job growth, high household incomes, and low unemployment rates Americans are increasingly spending their money on experiences –such as dining, personal services, and fitness –rather than objects. For example there is increased spending on food away from home, health and wellness, and travel.
- San Francisco has a large number of independent businesses & limited number of regional shopping malls.

What's happening now to ensure the vibrancy of commercial districts, management, safety, and vibrancy?

Overtime the services provided by OEWD change to better meet the current needs of small businesses and neighborhoods. Within the last five years programs have evolved to address storefront vacancies, mitigate infrastructure improvements and related construction, expand healthy retail offerings within corner stores, support public spaces, provide emergency funds to small business impacted by unforeseen disasters and strengthening strategic planning around economic development for cultural districts. Our comprehensive approach to addressing commercial district challenges, is comprised of legislation, program investments, and departmental administrative reforms. Our services support economic activity by developing strong community partnerships with communities and organizations.

Issues Related to Commercial District Planning

Despite the following challenges, San Francisco's neighborhood commercial districts are located within a strong center for regional and international tourism, a strong local economy, and a local culture that values local shopping and culture. Shifts in consumer spending demonstrate that Americans are increasingly spending their money on experiences rather than objects. Many neighborhood commercial districts offer an attractive, interesting shopping experience and can highlight local unique culture and offerings. Retail stores are experimenting with new strategies to capitalize on increasing demand for experiences; by serving food and drinks, offering classes or events, and expanding opportunities for customers to interact with products before purchasing. However, some laws intended to protect traditional retail by limiting types of uses within commercial spaces, limit retailer's flexibility to adapt to changing economic conditions. While adopting these types of strategies will help some businesses continue to thrive, change is challenging and some businesses will not be able to adapt to a changing market.

- Online sales are driving retail growth, and expanding into new categories. Nationally, non-store retailers accounted for 40 percent of retail sales growth between 2014 and 2016.
- Nationally, growth in retail and restaurant sales is concentrated in a few categories including online sales, food and beverage stores, restaurants and bars, building materials and home furnishings, and health and personal care stores.
- Between 2007 and 2016, retail and restaurant sales in San Francisco increased more quickly than the national average. However, retail sales started to slow in 2016.
- Business owners report increased competition with e-commerce and in more categories (e.g., groceries, clothing, personal care goods).
- Fewer traditional retailers are seeking space, while there is increased interest from other potential tenants of ground floor commercial space (e.g., personal service, restaurants, medical services).

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Community Benefit Districts (CBDs) continue to support neighborhood stabilization.** There is an opportunity to increase the number of Community Benefit Districts (CBDs) and Business Improvement Districts (BIDs), particularly in areas where there is high vacancy rate and less investment. There is an opportunity to better coordinate CBD/BID strategies and financial

investments through special assessments and grants with the established and new arts and culture districts. The formation of CBD/BIDs has generally been shown to have positive economic and community impacts on commercial districts including higher levels of cleanliness and lower commercial vacancy rates, increased marketing and promotion and economic resiliency

- **Community Benefit District racial and social equity metrics.** There is an opportunity to apply racial and social equity metrics to the programs and practices implemented by CBDs. Adding social equity metrics to district management plans can support that activities implemented by the CBDs contribute to the stabilization of neighborhoods.
 - Land use and zoning for commercial districts. There is an opportunity to assess land use and zoning regulations within commercial districts as a tool for strengthening neighborhood and economic goals. In some cases it may mean reducing barriers of entry for businesses and in others adding community priorities or processes.
 - Commercial district leverage experience and amplify unique character. There is an opportunity to work more closely with cultural districts and other commercial district groups to amplify unique stories and character of commercial districts.
- **Right of first offer and/or the right of first refusal to purchase commercial properties offered for sale in the City.** There is an opportunity to explore policies or tools that can require or incentivize property owners to provide existing businesses within their buildings an opportunity to purchase before a building is sold.
 - Low-interest short-term financing to buy a commercial property. There is an opportunity to explore city loan or zero interest or no debt service loans for businesses that may want to purchase their building.
 - Loan fund/products for property owners (upgrades and retrofits, refinance). There is an opportunity
 - to expand access to loan products for building improvements of buildings with commercial businesses.
 - Expand legacy business subsidies to businesses that own their own property. There is an opportunity to add a third category for financial incentives to support legacy businesses that own their property by providing them funding to improve their properties to ensure sustainability of the business.

Resources

- Office of Economic and Workforce Development: www.oewd.org

Workforce Development

Workforce development is crucial to community stabilization. Job training or re-training and employment services can help residents to increase their income, particularly in a changing economy and in the face of increasing housing costs enabling them to reduce their housing cost burden and reducing the city's inequality gap.

Background

What is Workforce Development?

The Office of Economic and Workforce Development (OEWD), the San Francisco Public Utilities Commission (SFPUC), the Department of Children, Youth and Their Families (DCYF), the Human Services Agency (HSA), Department of Public Works (DPW), and Department of Human Resources (DHR) manage several workforce development programs in the city. The programs support adult and young adult workforce development through sector-based programming, general employment and job placement services and paid work experience opportunities for young adults.

Sector Workforce Programming

OEWD provides training and placement support to assist residents to access opportunities in the City's workforce sectors that offer the greatest number of entry-level and mid-level employment opportunities and living wage salaries in identified career pathways. Sector Academies offer occupational skills training, industry-recognized credentials and certifications, and internship and job placement assistance. OEWD funds sector academies in the Construction Trades, Hospitality, Health Care and Technology sectors.

Construction Industry Training and Employment

CityBuild Academy meets the demands of the construction industry by providing an 18-week comprehensive pre-apprenticeship and construction administration training to San Francisco residents. Trainees receive hands-on training in 26 Building Trades or construction software applications, classroom instruction and college credits, industry certifications, case management and retention services, and job placement assistance. CityBuild's Employment Networking Services connects San Francisco trades workers and CityBuild alumni to employment opportunities in San Francisco, and assists residents seeking employment in the construction industry with job placement and entry into local trade unions. CityBuild's Compliance Team administers and enforces various workforce policies that prioritize employment of local residents on construction projects in San Francisco. CityBuild also provides project-specific and customized trainings, such as the Chase Center Training partnership with the Golden State Warriors and JP Morgan Chase.

Hospitality Industry Training and Employment

The Hospitality Initiative offers 12 distinct training tracks within food services, guest services, and facilities maintenance. Most of these trainings support the hotel and restaurant industries through back- and front-of-house trainings.

The HealthCare Academy provides training and employment services for clinical and non-clinical career pathways including Personal Care Giver, Home Health Aide, Certified Nurse Assistant, Medical Admin Assistant, Medical Assistant, and Nursing Refresher courses. Incumbent worker trainings are embedded in the Academy to support the existing workforce.

Tech Industry Training and Employment

TechSF provides multiple workforce services for participants interested in careers in the Tech Industry by building talent pipelines to employment by: 1) Connecting industry to Apprenticeship opportunities; 2) Offering Work-Based Learning opportunities that connect students and jobseekers to industry; and 3) Funding local training and education partners to adequately prepare and upskill the City's local talent pool.

Adult Employment and Job Readiness Workforce Programs

OEWD coordinates a range of neighborhood-based and specialized "Access Points" which provide a seamless array of workforce services designed to assist adults in connecting with needed job readiness and employment services.

Access Points

Neighborhood Access Points provide job readiness workshops, job search assistance, career planning, and connections to employment opportunities. Each Access Point has culturally competent staff and can be found in the Bayview, Chinatown, Mission, Tenderloin, Visitacion Valley, South of Market, and Western Addition.

Specialized Access Points provide job readiness and employment services but specialize in working with specific populations including Persons with Disabilities, individuals involved with the criminal justice system, individuals with limited English proficiency, the LGBTQ community and Veterans.

Job Readiness Services

Job Readiness Services portfolio to help individuals overcome any barriers that may prevent them from successfully attaining employment or enrolling in training. These centers help with attaining a driver's license, GED/HS Diploma, basic computer skills, increasing ESL levels and provide other assistance. This portfolio is an imminent component to the workforce system as upon remediating a barrier, participants are referred to sector training or adult employment services to assist with the transition into the workforce system.

Additional City-Funded Adult Workforce Programming

HSA's JobsNOW! Program provides employment opportunities and training services for participants in their benefit programs, such as CalWORKS and County Adult Assistance Programs. These services may also be available to select adults on CalFresh as well as youth transitioning out of foster care.

The Downtown Streets Team program provides homeless and low-income men and women with volunteer opportunities and then paid employment.

The HOPE SF housing sites at Hunters View, Potrero Terrace and Potrero Annex, Sunnydale, and Alice Griffith will provide employment and job training opportunities for current residents onsite. Services will include onsite employment planning and placement services for adults and youth.

Several other City and County of San Francisco agencies and departments provide training programs and employment for residents including: Airport, San Francisco Municipal Transportation Agency, the San Francisco Port, the Department of Public Health, Public Works, and Recreation and Parks.

Young Adult Workforce Programs

OEWD provides a continuum of services for young adults ages 17-24 to help them reach their employment goals through career development assistance, paid training opportunities, educational reengagement and job placement.

Young Adult Access Points provide education and employment services, career exploration, job preparation workshops, job search assistance and assistance with college/financial aid applications for transitional age youth ages 16-24.

Young Adult Subsidized Employment Program provides youth with paid work experience in high demand industries (i.e. tech and hospitality) to get them ready for the workforce. While enrolled in paid training they receive other valuable services including case management, career plans and job placement assistance.

Reconnecting All through Multiple Pathways (RAMP) Program provides classroom training and hands-on workforce experience through a boot camp model to prepare young adults for employment while having access to onsite education to attain a HS Diploma or GED.

Additional City-Funded Youth and Young Adult Workforce Programs

The Human Rights Commission (HRC) works with OEWD and DCYF to coordinate the City's youth and young adult internship programs through the "Opportunities for All" initiative, which aims to provide access to a paid internship to every high school student in the City and County of San Francisco.

Agencies, such as the SFPUC, and DCYF manage several additional youth internship and apprenticeship programs. Each of these programs aim to provide internships focused on Latinx, African Americans, Indigenous, LGBTQ, and API youth that place youth in all sector career building opportunities. Programs include:

- Inside Manufacturing program serves 250 students at three schools: Washington, Burton, and John O'Connell High School.
- SSIP CityWorks is a paid two-year, summer internship program either at the SFPUC or with one of the private engineering firms working on our Sewer System Internship Program for high school students from San Francisco's southeast neighborhoods.

- YouthWorks, a paid after-school and summer internship program, provides San Francisco high school students with an interest in public service with job opportunities at SFPUC and more than 30 other City departments.
- Project Pull provides San Francisco high school students with paid summer internships at SFPUC and other City departments.
- DCYF's Youth Workforce Development Strategy includes 34 programs across 30 agencies to offer job readiness and other training, work-based learning experiences and transition planning activities.

The City's Department of Human Resources hosts an Apprenticeship SF Fair annually for people to learn about apprenticeship, pre-apprenticeship, and on-the-job training programs. Building upon the nationally-recognized success of the TechSF apprenticeship initiative, OEWD seeks to continue expanding the apprenticeship model into non-traditional industries and sectors, such as hospitality and healthcare.

Agencies continue to develop research and evaluation protocols in keeping with evolving best practices in the field of social service delivery and program development. OEWD, HSA, and DCYF have engaged in interdepartmental sharing of aggregate data for determine the impact of programs and identify areas of need. With the long-term goal of automated data sharing, City agencies have engaged business intelligence software to visualize and communicate program inputs, outputs, and outcomes.

The Human Rights Commission (HRC) manages the Mayor's initiative Opportunities for All, an online resource with internship and apprenticeship options for young people ages 14-24 years old. Since 2014, the Committee on Citywide Workforce Alignment has been in existence. Through extensive stakeholder engagement, the Committee identified an action plan to better coordinate services through special projects, partnerships, and programs. The Committee continues to make progress on its mission, vision, and goals, and is in the third year of its five-year plan.

The California Workforce Development Board mandates regional coordination of local workforce development boards. OEWD regularly meets with its regional partners in San Mateo, Sunnyvale, Santa Clara, San Jose, and San Benito to coordinate regional business services, communicate program offerings, collaborate on funding requests. With the Bay-Peninsula Regional Planning Unit, OEWD coordinates and participates in two working groups—one to coordinate regional business services in the health care industry and to identify best practices in employer engagement strategies and one to identify a regional employer network for tech apprenticeship.

Why is Workforce Development Important?

Workforce development programs provide an opportunity for OEWD, SFPUC, HSA, and DCYF and implementing partners to enhance community stabilization and prevent displacement by supporting workforce development and community-serving businesses.

Key Trends

- TechSF's partnership with SFUSD and City College has collectively created more than 6,300 work-based learning opportunities for students in the last three years.
- City-funded training program clients find employment in a range of industries and often in-demand occupations in health care, hospitality, construction, and information and communication technology.
- Across the City, agencies fund over 130 organizations throughout the city to provide workforce development services.
- Participants in all community forums and focus groups emphasized the need for job training to support self-sufficiency and stability.

What's Happening Now to Develop the City's Workforce?

In January 2019, the San Francisco Board of Supervisors approved CityGrow, which requires that certain cannabis enterprises hire one third of their workforce through state-approved cannabis apprenticeships. OEWD is tasked with the approval and administration of pre-apprenticeship programs. Rollout is aimed at late 2019 or early 2020.

In January 2019, Mayor Breed and Supervisor Brown announced CityDrive, which provides free training to residents as commercial drivers to meet the demand at SFMTA and in the private sector. OEWD is tasked with administration of CityDrive.

District 10 Supervisor Walton is exploring the expansion of local hiring requirements to businesses in non-construction sectors, such as technology, healthcare, and other sectors. OEWD has been asked to provide guidance into any possible policies or programs that may come from this process, building upon the existing First Source Hiring Program that applies to City-funded contracts and commercial activity in certain private sector properties subject to City permits or approvals.

Excelsior Works, a multicultural and multilingual workforce development center, provides outreach, workforce programs, and services in English, Spanish, Cantonese, and Tagalog. The center could serve as a model for other workforce development programs.

Issues Related to Workforce Development

Several different City agencies and departments provide workforce development opportunities including internships and apprenticeships for adults and youth.

Despite the large number of job training programs, there is still tremendous need for workforce development support and services, there is still tremendous need for workforce development support and services. Community forum and focus group participants mentioned a need for paid job training programs that are linked to long-term employment more than any other need. Community members suggested several opportunities to expand workforce development services.

Though City Departments and agencies manage numerous workforce development and employment services programs, community forum and focus group participant tended to be unaware of the options. Several different City agencies and Departments operate and manage their own apprenticeship and training programs. There is not one central location for interested members of the public to learn about the City's workforce development opportunities

Though the City provides several workforce development programs, the assessment and awareness of the efficacy could be enhanced.

For Future Consideration

The ideas for future consideration that have the potential to increase community stability in San Francisco are described below. They provide a starting point for agencies, decision-makers, and community members to explore stabilization efforts and identify critical pathways forward. Based on preliminary information, staff is qualifying these ideas according to the type of task, scale of resources and level of complexity to underscore that any of these ideas would require time and additional resources not currently identified. These are not City commitments or recommendations, rather informed ideas that will require careful vetting and analysis as to their reach, resource needs, feasibility, unintended consequences, legal implications, and racial and social equity considerations.

- **Coordinated Workforce Development System**

- **Coordinated City of San Francisco workforce development system.** There is an opportunity for City agencies to better coordinate their workforce development efforts. Program coordination requires prioritization of vulnerable populations; seamless and accessible communication on available program offerings; efficient resource sharing for shared tasks; interdepartmental data sharing of client and program information, including demographics, locations, service needs, and program outcomes; and coordinated funding and oversight of community partners and service providers. This effort could build on the 2014 Committee on City Workforce Alignment efforts. [Response: Mitigation; Task: policy implementation; Resource need: More information required; Complexity: More information required; Length of impact: Long term: Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth, and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), community partners; Geographic scale: Citywide]
 - **Benefit:** Improved coordination can increase access for clients.
 - **Challenge:** Improved coordination carries resource costs and needs staffing and funding support.
- **Coordinated regional workforce development system.** There is an opportunity for Bay Area cities and counties to coordinate their workforce development efforts. Like the coordinated City and County of San Francisco workforce development program

opportunity, the regional agencies could develop a unified regional program. [Response: Mitigation; Task: policy implementation; Resource need: More information required; Complexity: More information required; Length of impact: Long term; Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), and regional agencies; Geographic scale: Regionwide]

- **Benefit:** Improved coordination can increase access for clients.
- **Challenge:** Improved coordination carries resource costs and needs staffing and funding support.

- **Program expansion**

- **Job training program expansion.** Community forum and focus group participants suggested new types of job training programs and workforce readiness services including: paid apprenticeship programs; ESL, vocational, and technology education programs; all-ages internship programs; and, training programs with a cultural competency component for recent immigrants, people with limited English proficiency and others. [Response: prevention and mitigation; Task: funding and service; Resource need: More information required; Complexity: More information required; Long term; Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), community partners; Geographic scale: Citywide]
 - **Benefit:** Responding to needs expressed by community members can fill gaps in community services.
 - **Challenge:** Program expansion requires funding and resources.
- **Employment service expansion.** There is an opportunity to expand the number of employment services to meet the needs of community members. Community forum and focus group participants suggested the following employment service needs: practice tests for City and County job positions; and a community jobs fair for all City and County employment opportunities. [Response: prevention; Task: service and funding; Resource need: More information required; Complexity: More information required; Long Term; Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), Department of Human Resources (DHR), and other agencies; Geographic scale: Citywide]
 - **Benefit:** Responding to needs expressed by community members can fill gaps in community services.

- **Challenge:** Program expansion requires funding and resources.
- **Outreach and education enhancement on workforce development programs.** If establishing a more unified workforce development program presents more challenges than benefits, consider consolidating the communication and outreach function. Due to the breadth of workforce development programs and number of agencies that manage them, many residents may not know about the available opportunities. By expanding outreach and education on workforce development programs in different languages, more members of the public (residents of San Francisco, the region, and the state) could be aware of the existing workforce opportunities available to them. [Response: prevention and mitigation; Task: funding and service; Resource need: More information required; Complexity: More information required; Long Term; Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), and other agencies; Geographic scale: Citywide]
 - **Benefit:** Coordinated communication can increase access for clients.
 - **Challenge:** Coordinated communication requires funding and resources.
- **Comprehensive workforce development program efficacy assessment for clients and program providers.** There is an opportunity for the City to assess the efficacy of agency and department workforce development programs for the providers and participants of these programs. An assessment could help the City have a comprehensive understanding of the number of clients served, types of jobs held after completing programs, and salaries of those jobs. The City could have a better understanding of the extent to which workforce programs are growing San Francisco's workforce to address the challenges of the future. [Response: prevention; Task: data; Resource: More information required; Complexity: More information required; Short term; Partners: Office of Economic and Workforce Development (OEWD), Human Rights Commission (HRC), San Francisco Public Utilities Commission (SFPUC), Department of Children, Youth and Their Families (DCYF), Human Services Agency (HSA), Public Works (DPW), and other agencies; Geographic scale: Citywide]
 - **Benefit:** Provides additional and comprehensive insight into how to enhance existing programs to serve needs of clients and the City.
 - **Challenge:** Requires resources and funding.

Resources

- OEWD Workforce Development. Online: <https://oewd.org/workforce>
- San Francisco Human Services Agency Workforce Development Centers. Online: <https://www.sfhsa.org/services/jobs-money/workforce-development-centers>