Spring 5-21-2022

Solving for Affordability in the San Francisco Housing Crisis: Is California’s Regional Housing Needs Allocation (RHNA) the Answer?

Matthew J. Mandich
University of San Francisco, matthew.mandich@gmail.com

Solving for Affordability in the San Francisco Housing Crisis: Is California's Regional Housing Needs Allocation (RHNA) the Answer?

A Capstone Presented to the Faculty of the College of Arts & Sciences

University of San Francisco

In Partial Fulfillment of the Requirements of the

Degree of MASTER OF ARTS IN URBAN &

PUBLIC AFFAIRS

by

Matthew J. Mandich

May, 2022

Solving for Affordability in the San Francisco Housing Crisis: Is California's Regional Housing Needs Allocation (RHNA) the Answer?

In Partial Fulfillment of the Requirements of the MASTER OF ARTS IN URBAN & PUBLIC AFFAIRS

by Matthew J. Mandich

COLLEGE OF ARTS AND SCIENCES UNIVERSITY OF SAN FRANCISCO

May, 2022

Under the guidance and approval of the committee, and approval by all the members, this thesis has been accepted in partial fulfillment of the requirements for the degree.

Approved:

Tim Redmond Date ______________________________

Ed Harrington Date ______________________________

Author Release Form

The University of San Francisco and the College of Arts and Sciences have permission to use my M.A. Capstone Paper project as an example of acceptable work. This permission includes the right to duplicate the manuscript and allows the project to be checked out from the College Library.

Print Name: Matthew J Mandich

Signature_______________________________ Date: May 17th, 2022

Table of Contents

Acknowledgements

First and foremost, huge thanks are owed to my parents, Mitch and Rebecca. Without their unwavering support the completion of this program and the this capstone project would not have been possible. In particular, my father Mitch inspired my choice of this topic and our many conversions about the subject of housing in San Francisco and California were vital for informing my research. Special thanks are also owed to my sister Madeleine and my brother-in-law Chris who were always willing and able to help and support me in every way throughout the course of the program.

Many thanks are of course owed to my First Reader, Tim Redmond, for his guidance, patience, and trust throughout the entire capstone process. Similarly, many thanks are also owed to my Second Reader, Ed Harrington, for his insight and feedback on both the prospectus and the capstone drafts. Both Readers added tremendous value to the project and I am grateful for their input. In addition, big thanks are owed to Sarah Burgess and Kresten Froistad-Martin for masterfully running the UPA program under extremely difficult circumstances.

I would also like to thank former San Francisco Supervisor Matt Haney and the entire District 6 office, especially Monica Barnett, Honey Mahogany, and Gissel Madrid. It was an honor and pleasure to work alongside these inspirational individuals while completing my Master's. Finally, I would like to thank all of my interviewees (Todd David, Oz Erickson, Laura Foote, Fernando Martí, Sam Moss, and Calvin Welch) for sharing their valuable insights and perspectives on this important and nuanced topic.

Abstract

Over the last two decades San Francisco has been suffering from a worsening housing shortage and affordability crisis, as housing production has lagged far behind job growth in the city and the region. As San Francisco's housing market is especially supply constrained due to its unique geography, long-standing zoning laws, and convoluted permitting process, it is especially difficult to add the needed housing at an acceptable rate. Overall, this housing crisis has affected middle and lower income households the most as many have been forced to relocate due to rapidly increasing rents.

In an attempt to stimulate housing production state lawmakers have chosen to use the Regional Housing Needs Allocation (RHNA) process as a way to require cities like San Francisco to plan for and build more housing, especially at affordable levels. This process, which runs on eight year cycles, sees the state allocate mandated housing goals for each city via regional government entities. Due to a series of housing legislation packages passed in recent years at the state level the RHNA process was given more 'teeth' via increased allocations, enforcement, and accountability. As such, for the next RHNA cycle, running from 2023 to 2030, San Francisco is required to show the state that it can facilitate the construction of over 82,000 units in eight years with 57% of these units affordable to 'very low' to 'moderate' income groups. This will require San Francisco to make significant policy changes, including rezoning much of the city to accommodate for increased density. If the city fails to do this it will lose substantial funding for affordable housing production as well as certain controls over its local planning process.

While this new RHNA process will force up-zoning and land use deregulation in San Francisco there is no guarantee that the required housing will ever get built. To build the over 46,500 units of affordable housing allocated over the next eight years, 5,800 units of affordable housing will need to be built each year. For reference, in San Francisco 5,000 units of total housing (both market-rate and affordable) have only been built in one of the last twenty years (2016), and over the last ten years the average number of affordable units built per year was 874 units. In addition, San Francisco is currently lacking the necessary funding to meet its targets since the City is projected to need $19 billion to build the required affordable housing over the next RHNA cycle. While the new RHNA process may help address the overall housing supply shortage in the long run, without significant additional state funding and new revenue streams San Francisco will fall well short of its affordable housing goals, meaning the revamped RHNA process will do little to solve the ongoing affordability crisis.

1. Introduction

California is experiencing a severe housing crisis and the impacts of this have been most acute in the city of San Francisco. For several decades the City has experienced a joint housing shortage and affordability crisis that has hit low to moderate income households the hardest as San Francisco has become one of the most expensive cities for housing in the world. In 2022, the median rent for a two-bedroom apartment in San Francisco was $3,800, which is affordable to a household earning $137,000 per year - a figure earned by less than 40% of San Francisco households (Housing Element Update 2022a: 5). The creation of jobs has also far outpaced housing production, putting significant pressure on this supply constrained market. For example, between 2010 and 2018 there were 8.5 jobs created for every one unit of housing produced in San Francisco (BLA 2019). This disequilibrium is clearly an issue, and it is one that has been exacerbated by other Bay Area localities, especially on the Peninsula, which have consistently offloaded their housing needs to San Francisco despite creating many more (high wage) jobs and having more land available for housing development.

As this crisis continues to deepen, local and state lawmakers, as well as activists, special interest groups, non-profits, and community-based organisations have all clashed over how to solve the problem. While almost all parties agree that more housing is needed both in the City and the region, the proposed way(s) to accomplish this are hotly contested by the various factions and involve nuanced economic, political, and social debates. At the local level, the City's convoluted permitting process, fraught with discretionary reviews and environmental appeals has worked to delay or eliminate housing projects on many occasions, resulting in the construction of less housing overall. Recent decisions by San Fransisco's current Board of Supervisors have also received backlash from critics as multiple large housing projects have been voted down on such appeals (e.g. 450 O'Farrell and 469 Stevenson).

Over the past several years, San Francisco's housing woes, and the apparent lack of action to address them at the local level, has also led to more scrutiny from the State. In fact, in 2017 the California State Legislature passed a 'housing package' with fourteen bills designed specifically to increase housing development and the production and preservation of affordable housing in California cities (Clare 2019: 397). This was followed by another set of three bills in 2018 that aimed to clarify and strengthen the previous package. The housing coalition that has emerged in the California legislature is spear-headed by a former San Francisco Supervisor turned State Senator, Scott Weiner, and his bills have focused on increasing density via up-zoning and expediting permitting review processes, among other angles. While Weiner's larger-scale, more aggressive bills such as SB 827 and SB 50, which called for zoning changes near transit throughout the state, were met with significant backlash from local governments and community leaders, ultimately failing, a lesser known bill, SB 828, which was passed as part of the 2018 package, may end up having the biggest impact yet.

The aim of SB 828 and the accompanying legislation is to give the State's Regional Housing Needs Allocation (RHNA) process more 'teeth' by imposing substantially augmented housing allocations on California cities and putting legal guardrails in place to prevent abuse and allow for enforcement. Since 1969, the state of California has mandated that all its cities, towns, and counties plan for the future housing needs of residents of all income levels, and since the 1980s this state mandate has operated on eight-year cycles via a top-down approach (Clare 2019: 386-387).

For the RHNA process, the California Department of Housing and Community Development (HCD) uses a methodology developed by the Housing Methodology Committee (HMC) to determine the total number of new units that each region must build to meet their housing goals for each cycle.[1] The required units are organized and distributed into four affordability levels: 'very low' income, 'low' income, 'moderate' income, and 'above moderate' income. The total number of units needed, as determined by the HCD, is then passed on to regional councils of governments. For the nine-county Bay Area, this is the Association of Bay Area Governments (ABAG), which works with planners from the Metropolitan Transportation Commission (MTC) to distribute the allotted units to each city and county in the region. Once each municipality has been allocated its housing goal for the upcoming RHNA cycle, local governments must then update the 'Housing Element' portion of their 'General Plan'.

A city's General Plan, which is also mandated by the state, is designed to help local governments guide their growth and development, and it includes seven different 'elements'. These are: housing, land use, transportation, conservation, open space, noise, and safety.[2] One of the goals of RHNA is to ensure that each 'Housing Element' accommodates existing and projected housing needs for all income levels by showing the locations where housing can be built and highlighting the policies and strategies necessary to meet their housing goals. Specific aspects of the Housing Element include an inventory of suitable sites to accommodate the RHNA allocations; an assessment of financial and programmatic resources for housing construction; analysis of fair housing issues and constraints; and anticipated policies and actions to address the projected housing needs.[3]

In each RHNA cycle jurisdictions must submit their Housing Element to the HCD for review to determine whether it complies with state law. The HCD then provides written feedback to each local government. HCD's approval is required before a local government

---

[1] https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation

[2] https://www.hcd.ca.gov/community-development/rhna/index.shtml

[3] https://www.hcd.ca.gov/community-development/building-blocks/index.shtml

can adopt its Housing Element as part of its overall General Plan. For the upcoming cycle, Housing Element updates are due to the HCD by January 31, 2023.

Until recently the RHNA process has primarily been used as a way for the State to gauge how well (or poorly) regions and cities have planned for or built the needed housing and there were no significant consequences for failing to meet these state-mandated goals. However, since the passage of SB 828 the methodology used to determine each region's housing allocation has been changed, which has led to much larger mandated goals. These changes include[4]:

- Zoning land to account for homes not built due to under-production from the prior RHNA cycle
- Zoning more land for residential properties if a state audit shows there is a shortage in that community
- Boosting housing targets where home prices are far outpacing wage increases
- Doubling the amount of land intended to house very low- and low-income residents by setting aside more properties for apartments and condominiums

Because of these changes, over the next RHNA cycle, which runs from 2023 to 2030, the nine-county Bay Area has been allocated over 441,000 units by the State. Of these, San Francisco was allocated 82,069 units to be built over the next eight years. In total, 57% of all the new units allocated, or 46,598 units, must be affordable to 'low', 'very low', and 'moderate' income earners.

In previous RHNA cycles San Francisco has consistently lagged behind on its overall housing production goals, especially for 'very low' to 'moderate' income households (i.e. affordable housing). Although job growth in San Francisco has primarily been in both high-wage and low-wage industries the housing produced has been

[4] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB828

predominantly market rate, for 'above moderate' income earners (BLA 2019; Housing Inventory 2021). During the current RHNA cycle, which runs from 2015 to the end of 2022, San Francisco was tasked with producing 28,869 total housing units. So far, 22,220 'above moderate' income (or market rate) units have been constructed, which is nearly ten thousand units more than the RHNA goal of 12,536 units for this category (Housing Inventory 2021: 15). In this same period, production of housing for 'low' and 'very low' income groups has lagged behind, as less than 50% (4,974 units) of the required 10,873 units have been built in San Francisco (Ibid).

However, the actual production totals are not the only data that is sent to the HCD. In addition to completed units, the San Francisco Planning Department also reports 'entitled' or 'authorized' units, which have been permitted by the Planning Commission, as progress towards their RHNA goals. These units are not yet built, and the Planning Department acknowledges that not all filed building permits will necessarily turn into constructed housing units since project plans and financing can change after a building permit is filed. That said, there is increasing worry that San Francisco will not be able to present a feasible 'Housing Element' to the HCD that provides an acceptable inventory of building sites and anticipated policy changes, such as rezoning, to accommodate the new RHNA allocation of over 82,000 units. If the Housing Element is deemed non-compliant by HCD, San Francisco would lose out on a number of state funding opportunities and potentially lose authority over its rezoning and permitting processes.[5]

Although previous penalties for failing to meet RHNA requirements were primarily monetary, the aforementioned reforms at the state level have made the ramifications of failing to meet these goals more severe. For example, a law authored by Sen. Nancy Skinner, SB 167, is designed to strengthen California's 1982 Housing Accountability Act (HAA). This law requires a local agency to legally defend its denial of low-to-moderate-

[5] https://www.hcd.ca.gov/community-development/accountability-enforcement.shtml

income housing development projects, and requires courts to impose a fine of $10,000 or more per unit on local agencies that fail to do so.[6] Other legislation designed to enforce compliance at the state level include AB 72 (2017), which provides the HCD with resources to enforce the state's housing laws via lawsuits from the Governor and Attorney General (rather than solely developers), and AB 215 (2021), which provides additional enforcement authority for local agency violations and increases public review and transparency of Housing Elements.

In addition, SB 35 (2017) allows developers to build projects 'by-right' (i.e. via ministerial rather than discretionary review) that contain 50% affordable units in cities that are short of their lower income RHNA goals, thereby taking planning power out of the hands of local legislative entities. This bill, SB 35, also updated the RHNA inventory requirement, which forces cities to submit an accurate potential housing site inventory as part of their Housing Element - an aspect that was previously ignored or submitted in 'bad faith' by municipalities (Clare 2019: 399). Additionally, private sector legal watchdog groups, such as CaRLa (California Renters Legal Advocacy)[7] and YIMBY Law[8], have emerged to ensure that cities comply with these new laws and that the State is enforcing them. As such, meeting the RHNA goals for the next cycle is not only important for providing the needed (affordable) housing in San Francisco, but is also necessary for the city to avoid litigation at the state level.

Because these laws were not in effect for previous RHNA cycles the city of San Francisco will need to make some significant policy changes in order to to submit a complaint Housing Element in January 2023 in order to meet its newly mandated goals. Given the new landscape this capstone aims to determine: 1) if San Francisco can meet

[6] https://www.hcd.ca.gov/community-development/housing-element/housing-element-memos/docs/hcd-memo-on-haa-final-sept2020.pdf

[7] https://carlaef.org

[8] https://www.yimbylaw.org

its state-mandated affordable housing goals in the next RHNA cycle; and 2) if the new RHNA process will result in the production of more affordable housing and increase overall affordability in San Francisco. Some key questions include:

- Are San Francisco's housing allocations in the next RHNA cycle achievable?
- What policy changes at the local level are needed to meet these goals?
- Will the new RHNA process produce more affordable housing in San Francisco?
- Is the RHNA process the right mechanism to increase affordability in San Francisco?
- Is state assistance at the local level necessary for the city of San Francisco to achieve its mandated goals?

As the state is increasing its power to manage and enforce local housing production it is worth questioning whether these new laws and policies will have the intended effect. More housing at all income levels clearly needs to be built, but will these changes to the RHNA process lead to more actual construction, especially of affordable housing units? How will this construction be funded? Should the State help pay for new affordable units given the lofty allocations?

Although the state legislature has remedied the main issue with the RHNA process, which was a lack of accountability and enforcement, the state cannot actually force the construction of new housing, affordable or otherwise, if there is not enough funding or investment readily available. To present a complaint Housing Element to the HCD that provides a feasible plan for the construction of over 82,000 units in eight years, San Francisco must present a legitimate housing site inventory, viable pipeline projects, and accompanying policy changes (such as rezoning for more capacity) that allow for more units to be constructed. Because San Francisco's most recent Housing Element draft has shown that the city does not have the necessary capacity to build the allotted units it will be required to undertake a residential rezoning program for the first time since 1978

(Housing Element Update 2022b: 20). Although this rezoning is incredibly overdue, and necessary to even attempt to achieve an equitable distribution of housing (both affordable and market rate) in San Francisco, the actual construction of these units will rely on prevailing market conditions and/or government subsidies to be realized.

While up-zoning and increased enforcement/accountability can theoretically stimulate housing production in California cities, a lack of investment could mitigate such changes and have a chilling effect on the overall housing economy. For example, in the first four months of 2022 the San Francisco Planning Department saw applications for only three new housing projects totalling 62 units, while in 2021, with the pandemic still fully underway, there were seven applications for projects with 891 units in the same four-month timeframe (Dineen 2022a). For reference, during the peak of San Francisco's building boom in 2015, the Planning Department processed 17 applications totalling 2,084 units in this same period (ibid).

Although housing production has been steady overall during pandemic with 4,043 net new units constructed in 2020 and 4,633 added in 2021 - both above the 10 year average of 3,478 units - the current lack of applications could point to an impending downturn in the coming years, especially as construction costs, interests rates, and inflation have risen significantly (Housing Inventory 2021; Dineen 2022a). According to some developers, the current economic conditions are similar to that of the 2008 recession when investment into housing shrank considerably (Dineen 2022a). This economic downturn also resulted in a drop-off of applications which produced an historic low of housing production several years later when only 269 net new units added in 2011 (Housing Inventory 2021: 19).

The outcomes of rezoning (i.e. up-zoning) are also uncertain since there is no guarantee that housing will actually be built on up-zoned sites in a timely matter. In fact, it is possible that up-zoning could generate more transfers of property than actual construction. In a study on Chicago that examined the outcomes of spot up-zoning on a series of individual parcels that were tracked over a five year period, MIT researcher Yonah Freemark (2019) found that the up-zoned properties saw significant increases in transaction price, as well as an increase in existing condominium price. However, he did not see evidence for any new construction in the period of study. As such, Freemark (2019) concluded that “the short-term, local-level impacts of up-zoning are higher property prices but no additional new housing construction”. A similar situation could unfold in San Francisco, since without capital readily available to build, an up-zoned property with increased potential for profit (e.g an older single family home on the west side that could be turned into a 4-6 unit apartment building) could change hands several times (at an increasing price) before any new units are actually built.

In addition, questions remain about whether these new laws will actually lead to housing being added in the locations prescribed. For example, a recent study out of UCLA using a sample of sites from 97 California cities during the 5th RHNA cycle had, on average, around a 10% chance of being developed within the planning period (Kapur et al 2021). In San Francisco, the probability that a RHNA inventory site would be developed over the 8-year cycle was between 7.3% and 9.7%. The share of actual units built on inventory sites in San Francisco was between 29-33% of all units built, meaning that 67-71% of the units constructed during this cycle were on non-inventory sites, on par with the rest of the Bay Area. If 70% of new housing is being built on non-inventory sites, forcing cities to identify and up-zone sites that only have a one in ten chance of development may not lead to more housing actually being built there.

The topic of regulation is also an important issue for housing production in San Francisco. While the RHNA process will open up more sites for potential construction, the permitting process in the City slows new housing development. Because building permits in San Francisco are ‘discretionary’ rather than ‘by-right’ they must first be approved by the Planning Department, which can take years in some cases. Overall, it has been found that land use regulations work to slow new construction as a study on California cities determined that for each additional regulation adopted, permits for multi-family homes fell 6%, and 3% for single-family homes (Jackson 2016). Indeed, the majority of studies have found that cities with more regulations have higher home prices and less construction, meaning that regulations make housing more expensive and harder to produce (Gyourko and Molloy 2015: 42). As such, any legislation that aims to rezone San Francisco for more housing should also be accompanied by legislation that allows for the streamlining of housing production. Currently, the new RHNA process only forces cities to streamline housing if their Housing Element is found to be non-complaint.

While the changes forced by the RHNA process will have cities in a better place to expand their housing production, it is important to remember that the type of housing production stimulated by up-zoning will primarily be market-rate units, financed by developers. This should not be perceived negatively, however. New market-rate housing is needed as San Francisco continues to add high wage jobs at a steady pace. New market-rate housing has also been shown to take pressure off of rental sub-markets and mitigate displacement (e.g. Somerville and Mayer 2003; Asquith et al. 2020; Pennington 2021). New market-rate projects also provide some affordable housing via inclusionary units, which represent 39% of all affordable housing added in San Francisco over the last five years, in addition to providing impact and linkage fees.

However, it is worth noting that developer-built inclusionary housing is generally owner occupied by moderate income households while affordable housing financed by housing fees and built by city funded entities is primarily rental housing for lower income households that targets senior, chronically homeless, and disabled individuals (BLA 2012: 45). Finally, as the RHNA requirements have increased and development costs continue to rise, the overall financial feasibility of market-rate construction will be challenged (HAS

2020B: 13). As such, market-rate housing projects should not be relied upon for providing the large amount of affordable units required.

Although the new RHNA process will help with the overall housing shortage if development follows up-zoning in a timely manner, it will do little to solve the overall affordability crisis, as this is an issue of funding rather than land use policy. Overall, the effect that new market-rate housing will have on affordability at the lower ends of the income spectrum will be minimal and/or too slow to have a significant impact, especially as low income households are being priced out of San Francisco at a rapid rate. To achieve true affordability, units must be built in 100% affordable buildings and/or removed from the open market. This takes significant public funding and government coordination to accomplish, but there are various methods and models that the City can employ to bring more affordable housing online. These include new progressive taxes (such as Proposition I - 2020) to create new revenue streams; the issuance of state, regional, and local bonds (including micro-bonds) for affordable housing construction; the acquisition and conversion/rehabilitation of older hotels and apartment buildings (especially those with tenants at risk of eviction); and the streamlining of affordable housing projects.

In general, building affordable housing costs about the same as market-rate housing to construct from the ground up, but it needs to be subsidized to be built. This is where the RHNA process falls short. If the City fails to provide a complaint Housing Element it will actually lose out on the state funding available, which will put it in a worse situation when it comes to affordable housing production. Although a failure to comply will trigger the so-called 'Builder's Remedy', which allows for all housing development to be permitted 'by-right' rather than via discretionary review as long as a project is 20% affordable, this type of housing production will not help San Francisco reach its affordable housing goals as developers cannot be relied upon to provide the needed subsidized housing, especially for lower income brackets. Although forcing accountability and upping enforcement is a positive step, since it will keep cities on track and motivate them to make progress towards their RHNA goals, this process needs additional state funding attached to it. Rather than punishing municipalities by taking away funding if their Housing Elements fail, the state should be helping cities like San Francisco reach their otherwise unattainable affordable housing goals. This ‘pay not punish’ model could help provide the necessary, and currently lacking, funding to build the affordable housing that is so needed for the community and that has been neglected in previous RHNA cycles.

For San Francisco to meet its lofty state mandated housing goals for the next RHNA cycle, 10,258 units will need to be built in the city each year for the next eight years. However, only once in the last 20 years (2016) have 5,000 units been constructed in San Francisco in one year, and there have never been 10,000 units built in any year since the Planning Department has kept records. For San Francisco to meet its targets for affordable housing production (i.e. 'very low’ to ‘moderate’ income brackets) there will need to be over 5,800 fully subsidized affordable units produced each year. However, over the last ten years an average of 847 net new affordable units have been built per year for all the affordable income brackets combined (Housing Balance Report 2021: 5).

Finally, the cost to to build the required affordable units over the next RHNA cycle is extraordinary. In 2020 it was estimated by the City that the cost would be $7 billion over the course of the cycle, or $875 million per year, to build the required affordable units (San Francisco Capital Plan 2020). However, a planning report provided to the San Francisco Board of Supervisors on May, 19th 2022 has shown that the local funding gap for affordable housing construction in the first year of the new RHNA cycle is estimated to be $1.3 billion[9]. Based on this report, the gap is predicted to increase each year until 2029 with a total predicted local shortfall of $14 billion over this seven year period analyzed.

---

[9] https://sfgov.legistar.com/View.ashx?M=F&ID=10905702&GUID=037E15BE-0136-4350-AEA7-717766EF1472

For perspective, the most the City has ever spent on affordable housing was $503 million in FY 2019-20, but this total is expected to drop in the coming years and will be well short of the billions needed (see HAS 2020a: 2).

Given the current situation, San Francisco will not be able to achieve its RHNA goal of building over 10,000 units per year over the next eight years. To achieve the affordable housing targets of over 5,800 units per year would require unprecedented building and unprecedented public spending in the City. Without additional revenue streams, state funding help, and local policy changes San Francisco will fail to meet its allotted goals by a large margin. Even with the rezoning of the west side, the added capacity provided by up-zoning may not become available for about three years, or roughly midway through the next cycle (Housing Element Update 2022b: 20). It is also difficult to say how much housing will actually be built on these sites given past trends concerning up-zoning outcomes and the low probability of development on RHNA inventory sites. Although the new RHNA process is designed to stimulate more construction and increase enforcement and accountability while doing so, it fails to account for the massive financial obligations associated with affordable housing production. While the new RHNA process and augmented allocations may stimulate market-rate construction that could have a positive impact on the overall housing supply over time, it will not solve for affordability.

To explore this topic in greater detail this capstone is broken into seven sections. Following the Introduction (Section 1) is the Methods section (Section 2), which describes the data used and compiled for this project. Next, an historical 'Literature Review' (Section 3) details the roots of the San Francisco housing crisis. This section covers early race-based policies, the period of redevelopment and urban renewal in the 19050s and 1960s, the subsequent slow growth movement in the 1970s, and the tech booms of the 1990s and 2000s. This section is followed by the 'Data Analysis' (Section 4) which looks at recent trends in housing production in San Francisco, both affordable and market-rate. Sub-sections examine changes in population, job growth, and incomes as well as past and present funding streams for affordable housing construction and preservation in the City. This section concludes with an examination of San Francisco's previous RHNA production and proposed policy changes.

The subsequent section (Section 5) focuses on 'Current Debates' concerning housing policy and housing politics in San Francisco and centers on the issues of supply and demand, rezoning and deregulation, and proposed legislation designed to increase capacity and stimulate housing production. This section concludes with a synopsis of interview data obtained from six interviewees (see Section 2), which included local housing activists/advocates, non-profit housing leaders, and housing developers. The next section of this capstone, 'Conclusions' (Section 6), sums up the key takeaways from this project and answers the questions laid out in the Introduction. The final section (Section 7) contains a set of 'Recommendations' that outlines ways that San Francisco could raise the needed funding for affordable housing construction over the next RHNA cycle. With slogans such as 'build back better' permeating the broader post-pandemic discourse, as San Francisco enters its own recovery phase a set of clear recommendations and realistic strategies that will help the City achieve its affordable housing goals is especially important.

2. Methods

The overall goal of this project is to assess the new RHNA process to determine 1) if the new affordable housing goals are feasible and 2) if it is a viable policy mechanism to address the affordability crisis in San Francisco. To assess the new RHNA process and San Francisco's ability to meet these goals the history of housing and planning in San Francisco is first examined with a focus on past policy decisions in the City. This is accomplished via a detailed literature review that covers a variety of publications including books, academic journals, city reports, and news sources. Next, recent and current data on housing trends and housing stock in San Francisco are complied and examined. Here, data from the San Francisco Planning Department regarding the city's housing stock and housing production, both market-rate and affordable, is examined in detail. This section also looks at changes in population, job growth, rents, and incomes in the City over the past decade using various city reports. Past and present funding streams for affordable housing construction and preservation in San Francisco are also presented to better understand how such construction has been subsidized by the City in the past and how much funding is needed to meet the new RHNA goals.

Next, current housing policy debates in San Francisco and California are discussed in greater detail. In this section the hotly debated topics of supply and demand, rezoning, and deregulation are outlined, analyzed, and critiqued. Current and forthcoming legislation at the state and local level that pertains to San Francisco's RHNA goals for the upcoming cycle is also discussed and analyzed. To add further nuance to these debates, interview data on these subjects was gathered from local housing activists/advocates, non-profit housing leaders, and housing developers.

List of Interview Participants (in alphabetical order):

1. Todd David - Executive Director of the Housing Action Coalition (HAC)

Todd David has been HAC's Executive Director since November 2016, and has been active in Bay Area politics throughout his professional career. His campaign experience includes serving as political director for Scott Wiener's first successful California State Senate campaign (2016), campaign manager for the Recreation and Park funding measure (2016), and campaign manager for the Soda Tax (2014).[10]

2. Oz Erikson - Principal/Chairman of the Emerald Fund

Oz Erickson founded Emerald Fund in 1979 and has been actively developing projects in the Bay Area since that time. Erickson identifies new projects and is involved with the entitlements, financing, project design, and sales and marketing. Erickson has been recognized with many industry honors including the San Francisco Business Times' Lifetime Achievement Award for Most Admired CEO in 2013. He received a BA degree from Harvard University and a MBA from Stanford University.[11]

3. Laura Foote - Executive Director of YIMBY Action

Laura Foote became a housing activist in 2014 as one of the key founders of the YIMBY movement. As Executive Director of YIMBY Action, Foote has grown the organization into a thriving grassroots political organization of thousands of volunteers. As of 2021, YIMBY Action has over 3,000 supporters nationwide and is made up of nearly 20 chapters in

---

[10] https://housingactioncoalition.org/our-team/

[11] https://www.emeraldfund.com

cities across the country. Foote is widely recognized as an authority on effective housing activism in the US and holds a B.A. in Economics from Hamilton College.[12]

4. Fernando Martí- Co-Director Council of Community Housing Organizations (CCHO)

Fernando Martí is co-director of the Council of Community Housing Organizations (CCHO), a coalition of 21 community- and faith-based affordable housing developers and housing justice advocates based in San Francisco, that works to foster the development of permanently affordable housing under community control and through non-speculative means of ownership. Martí is also a printmaker, installation artist, community architect, writer, and activist. He was born in Guayaquil, Ecuador, and has made his home in San Francisco since 1992.[13]

5. Sam Moss - Executive Director of Mission Housing Development Corporation

Sam Moss started with Mission Housing in December 2011 as an Asset Manager and became Executive Director in September 2013. Moss oversees the administration of all Mission Housing assets, programs and services. He is often in meetings at City Hall and throughout various San Francisco communities pushing for more support of the Affordable Housing industry. On other days, his time at Mission Housing might be spent with issues like human resources, operations, budgets or board meetings.[14]

---

[12] https://yimbyaction.org/2021/people/laura-foote/

[13] https://ced.berkeley.edu/ced/faculty-staff/fernando-marti

[14] https://missionhousing.org/profiles/sam-moss/

6. Calvin Welch - Author/activist/advisor

Calvin Welch received his BS in Interdisciplinary Social Science from San Francisco State University and his MA in Political Science from Makerere University College, Kampala, Uganda. Welch has served on various city task forces and advisory committees on issues ranging from affordable housing, to financing, to living wage. He has also served as campaign a manager or on campaign committees of a number of citizen initiatives.[15]

The Interview

Each interview participant was asked the same set of questions and recorded via Zoom. Each interview was designed to be between 35-45 minutes in duration (although some went longer). The questions for each interviewee were as follows:

- How long have you worked on the topic of housing in San Francisco?
  - What made you want to focus on this topic?
- One word to describe San Francisco's housing crisis?
- What are the biggest blocks to building affordable housing in San Francisco?
  - What are some potential solutions?
- What would be the first thing you would change about current zoning laws in San Francisco?
- Do you think San Francisco and California should be investing in the procurement and/or construction of more public housing?
  - What is best way to do this, in your opinion?
- Do you think San Francisco can meet its RHNA goals in the next cycle?
  - If no - why?; If yes - why?

[15] https://www.usfca.edu/faculty/calvin-welch

- Do you think state intervention or assistance is needed for San Francisco to reach its mandated goals?
- What is the right level of state intervention or assistance at the local level?

The content of these interviews is synthesised and analyzed thematically in Section 5.6. This is followed by the Conclusions section (Section 6), which assesses the ability of the new RHNA process to achieve its desired outcomes based on the data presented, and answers the primary questions laid out in the Introduction. Finally, a set of Recommendations (Section 7) are provided that could help the city acquire the necessary funding to meet its lofty state allocations for affordable housing.

3. Literature Review: The History of Housing and Planning in San Francisco: Policy and Practice

This review covers three general bodies of literature that are pertinent to this project. The first focuses on the history of housing and planning in San Francisco with a specific emphasis on the City's poor track record concerning race related housing policies and their impacts on the physical layout and demographic makeup of the city. The next section focuses on one of the most influential and impactful periods of housing history in San Francisco - the 1960s through the 1980s. In particular, the shift from heavy redevelopment agendas to progressive slow growth ideals is discussed and assessed in relation to the overall supply and affordability of the city's housing stock. In the third section, more recent housing debates and decisions playing out in San Francisco and the wider region over the past 30 years are examined. Here, the effects of development policies, as well as the technology booms and their outcomes, are detailed to better understand how San Francisco arrived at the housing situation experienced today.

3.1 Race and Place in San Francisco Housing: 1850s-1960s

The history of racially exclusive zoning and housing practices in San Francisco is well documented in a report titled 'Roots, Race, and Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area' by Eli Moore, Nicole Montojo, and Nicole Mauri (2019). In this piece, the authors discuss the long-standing history of racism inherent in many San Francisco zoning ordinances, which first targeted Chinese and Japanese residents in the 1800s, and then African American and Latinx inhabitants in subsequent decades. Here, the authors remind of seminal zoning laws used to segregate populations by race and income that originated in the Bay Area and became widely popular throughout the country. Some examples include the anti-Chinese ordinances of the late 1800s, including the Bingham Ordinance, the Cubic Air ordinance, and the Laundry

Ordinance that were used to criminalize the housing and businesses of the Chinese community (see Fig. 1). The authors also detail Berkeley's 1916 zoning ordinance, which established exclusive single-family residential zones and was widely adopted throughout the US (Moore et al. 2019 n. 24). This ordinance was subsequently heralded by California Real Estate magazine as a "protection against the invasion of Negroes and Asiatics" (Weiss 1986).

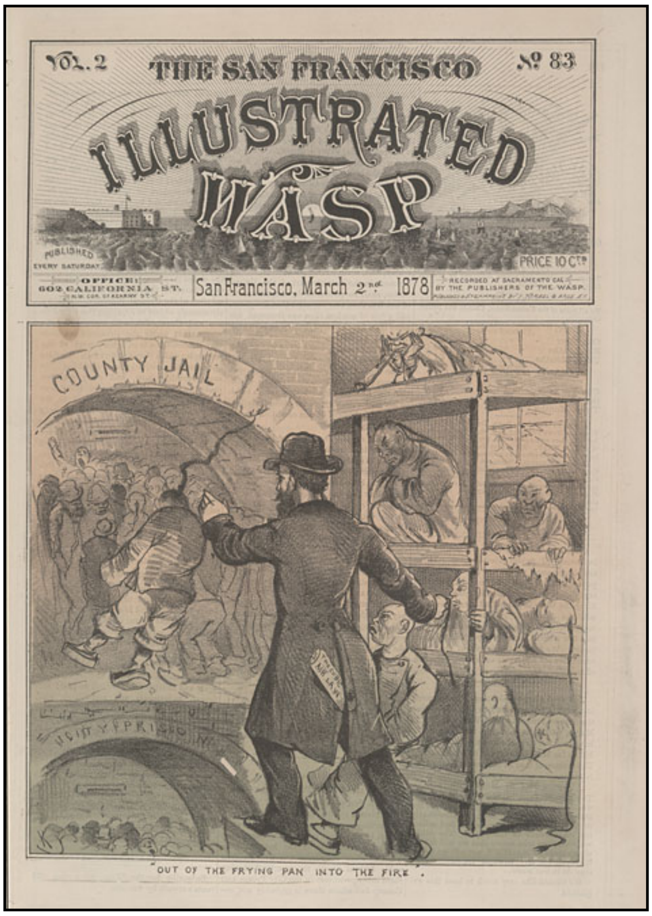


Figure 1: The cover of the San Francisco Illustrated Wasp depicts the jailing of Chinese lodging house residents following the adoption of the Cubic Air Ordinance (March 2, 1878) (from Moore et al. 2019 n. 113; Courtesy of the Bancroft Library, University of California, Berkeley).

Moving to the early 20th century, Marc Weiss' (1988) article in *Planning Perspectives* titled 'The real estate industry and the politics of zoning in San Francisco, 1914–1928' discusses how early zoning practices were designed to protect high-income areas and reinforce patterns of existing wealth in San Francisco. According to Weiss, early zoning practices were largely influenced by wealthy landowners, mortgage lenders, real estate agents, insurers, and builders. While zoning laws were strictly enforced around wealthy neighborhoods, they were frequently manipulated around working class areas to create land use or price change desirable to powerful lobbyists. In this period, the changes requested were frequently granted by the Board of Supervisors when "accompanied by appropriate private compensation" (Weiss 1988: 317).

Although the practice of zoning was profit driven, it was also decisively racially motivated. In an article that briefly details the history of ‘redlining’ in San Francisco neighborhoods, Nuala Sawyer (2014) describes how federal banks refused to offer home loans to non-white citizens beginning in the 1930s, which triggered deep-seated patterns of racial segregation and disenfranchisement in the City. In 1935, during the Great Depression, the Federal Home Loan Bank Board asked Home Owners' Loan Corporation (HOLC) to make residential ‘security maps’ that were colored by grade from green to red, with green being the most desirable for investment and red the least desirable. According to HOLC, neighborhoods marked red were "characterized by detrimental influences in a pronounced degree, undesirable population or infiltration of it… Unstable incomes of the people and difficult collections are usually prevalent”. In San Francisco ‘redlined’ neighborhoods included the Western Addition, the Haight, Chinatown, parts of the Mission, Visitacion Valley, and other areas that were predominantly non-white at the time (Sawyer 2014) (Figure 2, below).

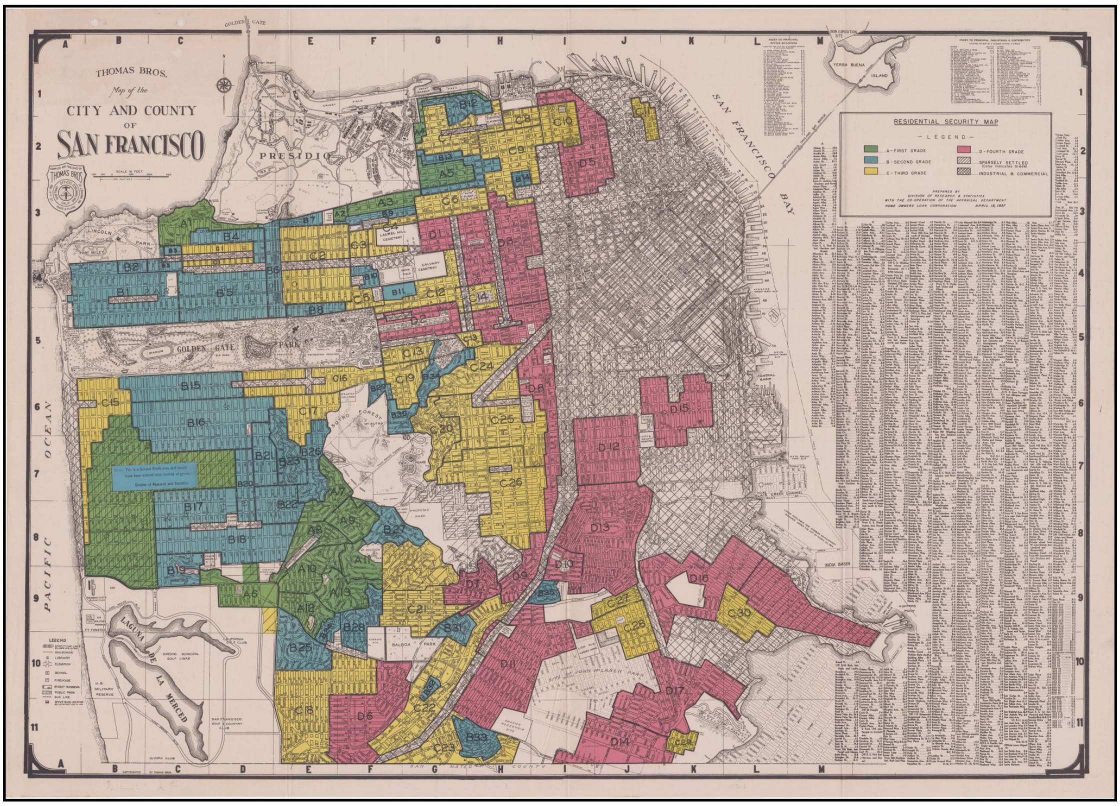


Figure 2: A Residential Security Map of San Francisco made by HOLC in 1937. *NB:* color coding: green for the “Best,” blue for “Still Desirable,” yellow for “Definitely Declining,” and red for “Hazardous (from University of Maryland’s T-RACES project).

As Richard Rothstein (2017: 6-7) describes in his book, *The Color of Law*, federal home loans were necessary to buy a house during the 1930s and 1940s, but as many Black individuals who immigrated to the Bay Area for work during World War II were denied these loans they were unable to purchase houses and forced to live in hastily constructed shanty-towns. As a large population boom occurred in the Bay Area following the conclusion of the War, homeowners that were given loans to purchase were able to sell their homes for incredible profits, while those denied home loans faced rising rents and deteriorating properties. In the instances where Black families were allowed to purchase homes in 'colored' neighborhoods, they were sold at very high prices, making it difficult for homeowners to pay mortgages without additional renters, which created more density and a higher strain on housing infrastructure (Rothstein 2017: 13). Since the Federal Housing Authority (FHA), as well as private insurance companies, would not insure mortgages in integrated, mixed-race neighborhoods the result was the creation of extremely segregated neighborhoods that are still in existence today (Rothstein 2017: 12-14).

To cope with the booming population and lack of housing in the 1940s, the San Francisco Housing Authority (SFHA) begin to construct public housing to replace substandard dwellings. However, as Amy Howard (2014) recounts in her book, *More than Shelter: Activism and Community in San Francisco Public Housing*, the SFHA adopted and upheld race-based policies that would impact its public housing program for decades. The appointment of John Beard as head of the SFHA in 1943 ensured that segregationist approaches held strong for his 22 years in that role. As Howard (2014: 14-15) describes, Beard wielded sole power over tenant selection for housing allocation and used race-based placement to reinforce housing segregation while also denying tenants the right to organize or unionize, despite opposition from civil rights activists and the Board of Supervisors.

When Congress passed the Housing Act in 1949 the SFHA was awarded federal funding to build much needed public housing; however, as Howard (2014: 16-17) explains, the vague language of the Act with a focus on 'urban redevelopment' left room interpretation. To manage these federal funds and projects the San Francisco Redevelopment Agency (SFRA) was created as a semi-autonomous building authority governed by mayoral appointees and headed by M. Justin Hermann, who had previous experience obtaining federal funding for redevelopment (Habert 1999; Howard 2014: 16-17). Because the Housing Act sanctioned the 'redevelopment of substandard dwellings' by local governments, the SFRA was able to use federal funding to demolish low-income neighborhoods in order to construct office buildings, shops, parking lots, and luxury apartments in pursuit of higher tax revenue (Howard 2014: 16-17). These redevelopment projects served to displace thousands of low income residents in the name of 'slum clearance' and destroyed large swathes of affordable housing that was predominately inhabited by communities of color.

One of the neighborhoods hit hardest by this redevelopment, or 'urban renewal', was the Fillmore and the Western Addition. As Rachel Brahinsky (2011) recounts in an article focused on the rise and fall of the 'Black Fillmore', the Fillmore had become one of the city's primary majority African American communities following the World War II labor influx. This was largely due to the vacancy of units in the district that were left by Japanese Americans forced into internment camps during the War as well as the existence of racial covenants in other neighborhoods. According to Brahinsky (2011: 142-143), a coalition of downtown business owners that sought to revamp certain areas of the city used the banks and the media to label the Fillmore as 'blighted' and in need of redevelopment by the SFRA.

In 1953 the first bulldozers began demolishing buildings in the 44-block Western Addition A1 area. While building owners were not technically evicted, the lack of loans provided due to redlining practices discussed above allowed structures that had fallen into disrepair to be devalued by the SFRA. By the time the A-1 demolition was complete in the mid-1960s, over 4,000 people had been displaced with no relocation assistance. Shortly after the completion of A-1, a larger, 60-block A-2 project was underway. As Brahinsky (2011: 144-145) explains, while this project was met with much stiffer community resistance, by the time it was completed in 1970 roughly 10,000-13,000 individuals had been displaced, 2,500 Victorians had been demolished, and 883 business had closed while little had been rebuilt (see Figure 3).

Figure 3: Aerial photo of the redevelopment site in the Fillmore in the 1970s (From San Francisco History Center, San Francisco Public Library).

In his book, *Housing the City by the Bay,* John Baranski (2019) discusses how strides were made by tenant unions and associations over the course of the 1960s and 1970s in response to the racial and economic discrimination inherent in the San Francisco housing market. In 1968 the Civil Rights Act, which was signed into law by President Lyndon B. Johnson, contained the Fair Housing Act that banned the refusal to sell or rent a dwelling to any person because of their race, color, religion or national origin

(McCartney and Pratt 2003). The Act also allowed for better enforcement of housing discrimination claims including neglecting maintenance, restricting access or amenities, and/or coercing, threatening or intimidating tenants. While the 1960s saw some wins for civil rights and housing activists in San Francisco overall, long-standing segregationist housing policies had already left deep scars in the city's urban fabric that can still be identified today (see Figure 4).

The results of the policies and practices highlighted in Figure 4 include the concentration of wealth and poverty in specific neighborhoods and districts throughout the City, the displacement and gentrification of established communities of color, the lasting effects on public health related to environmental injustice, and ongoing discrimination in the housing market due to manufactured wealth disparities (Moore et al. 2019).

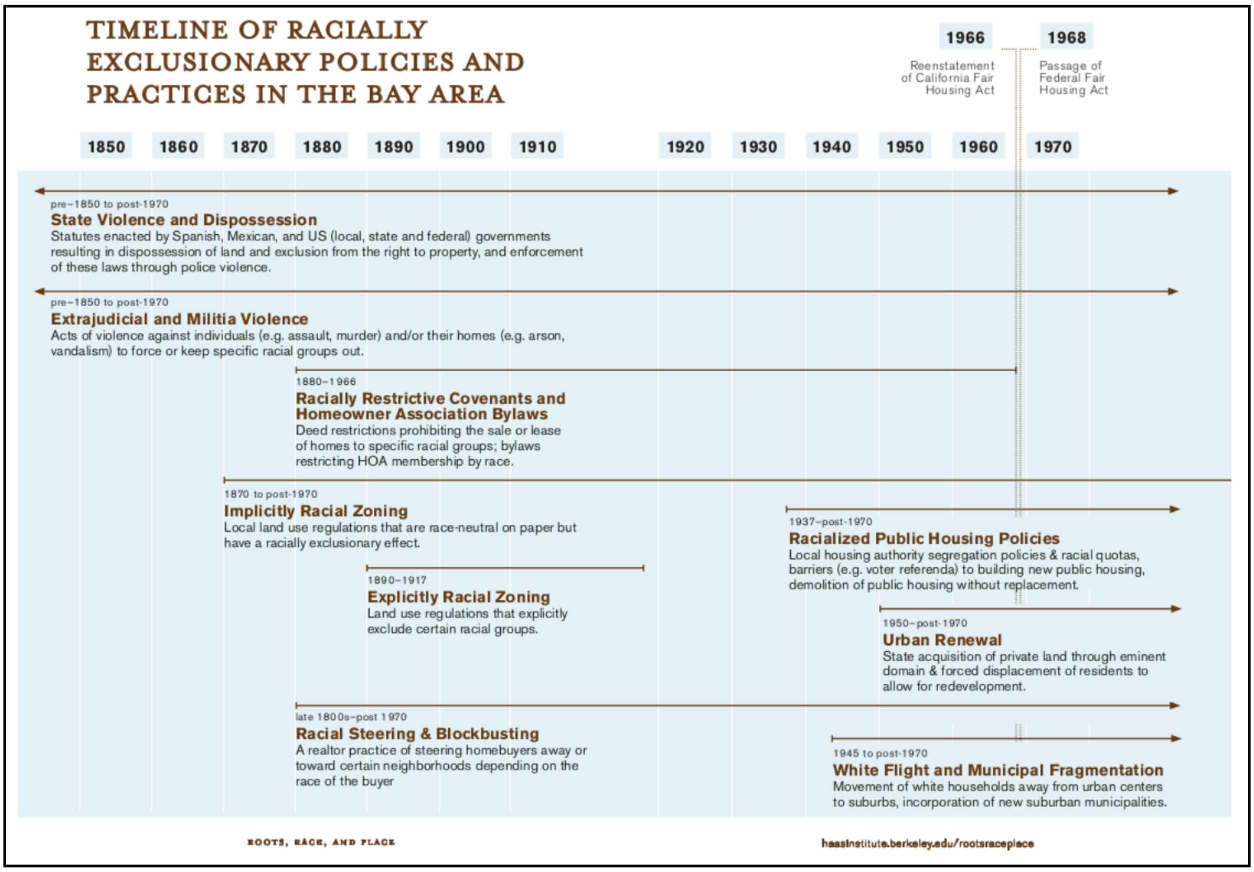


Figure 4: Timeline showing racially exclusionary policies and practices in the Bay Area from the 1800s to 1970 (from Moore et al. 2019)

3.2 From Redevelopment to ‘Slow Growth’: Consequences for San Francisco’s Housing Stock

Despite some victories for tenants and civil rights leaders in San Francisco, from the mid-1960s to the late 1970s redevelopment reached its peak in the City. Following the Fillmore and the Western Addition, the next area targeted for large-scale ongoing redevelopment was the South of Market Area (SOMA). In 1966 plans were approved by the Board of Supervisors to turn an 87-acre plot of land south of Market Street into the Yerba Buena Center - complete with office buildings, luxury apartments, and a convention center (Rubin 1997). While this area of the city was notorious for being San Francisco’s ‘skid row’, it was also home to 4,000 residents (many living in residential hotels) and 700 small business that would have to be removed for construction (Rubin 1997). As Chester Hartman (2002: 44-45) recounts in his book *City For Sale: The Transformation of San Francisco*, the proximity of SOMA to downtown made it especially desirable for redevelopment - as Justin Herman, Executive Director of the SFRA, notoriously stated: “this land is too valuable to permit poor people to park on it”.

Yet, the project-area residents would not go without a fight, and in 1969 several hundred of them formed an organisation called ‘Tenants and Owners in Opposition to Redevelopment’ (TOOR). TOOR was mostly composed of (former) workers, unionists, and established community members that identified as Democrats and sought to resist and delay redevelopment through litigation (Hartman 2002: 68-70). Although TOOR was successful in delaying the construction of new buildings, they could not stop the demolition of many residential hotels and neighborhoods and the eventual completion of the project. However, in 1973 a settlement was reached that gave TOOR’s development arm, Tenants and Owners Development Corporation (TODCO), four plots in the redevelopment area for the construction of 400 units of affordable housing, while the SFRA committed to providing another 1500 units of replacement housing for low income residents (Hartman 2002: 216; Rosen and William 2014: 130). While this was a major win for residents and activists, this project marked the beginning of what was to be a long process of SOMA redevelopment that would span the political lives of five mayors (Hartman 2002: 24).

As Calvin Welch (2011) describes in his article, *A Right to Stay*, between 1968 and 1978 San Francisco experienced a number of very significant changes to its economy and built environment. These included the shift of the maritime economy from San Francisco to the East Bay, which saw a huge loss of industrial jobs; the creation of the Bay Area Rapid Transit (BART) system, which brought suburban office workers to the city; the rise of Silicon Valley as a jobs hub; the designation of 11 urban renewal areas (that demolished primarily low-income, affordable housing); and an explosion of commercial office buildings - all in an attempt to make San Francisco a 'corporate headquarters' of the West (Welch 2001: 155-156). The early 1970s in particular marked a period of big building, with skyscrapers such as the Transamerica building, and the construction of freeways, office parks, and city infrastructure that increased the number of jobs while limiting housing supply (see Fig. 5).

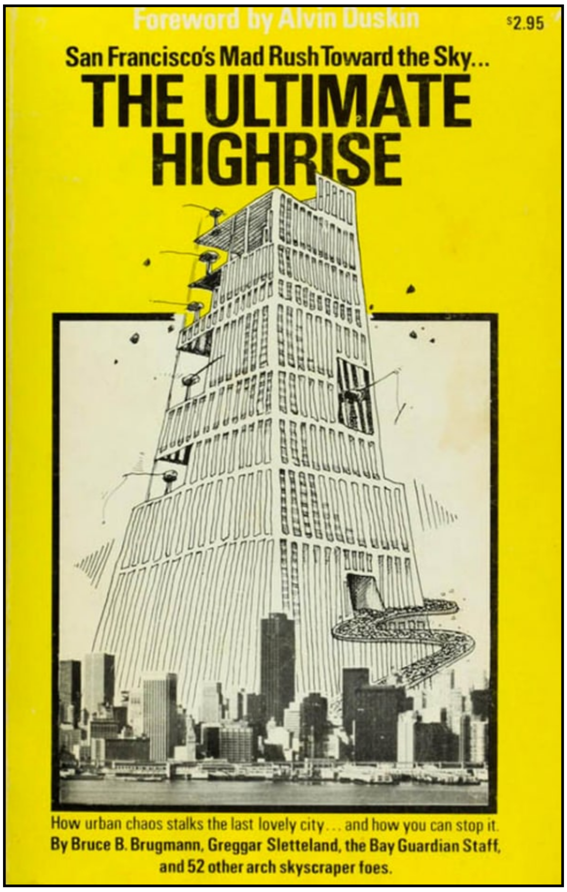


Figure 5: The 'Ultimate Highrise' published in 1971 by the San Francisco Bay Guardian newspaper in support of growth restrictions on San Francisco's downtown development (from Archive.org).

According to Rosen and Sullivan (2014: 125-126) in their work on the history of affordable housing policy in San Francisco, as office workers displaced industrial workers and as residential real estate values rose rapidly due to lack of available stock, San Francisco went from one of the cheapest cities to live in the Bay Area to one of the most expensive. In fact, from 1965 to 1980 thirty-six million square feet of office space was added to the city, along with 166,000 new jobs (Hartman 2002: 3; 295-6). In this same period (1965-1980) housing prices in San Francisco went from $3,000 over the national average to $53,000 over (Rosen and Sullivan 2014: 125-126).

In another piece by Welch (1996) on the history of affordable housing, he states that from 1967 to 1979 public and private actions resulted in the demolition of over 7,000 residences and 5,300 residential hotel rooms. The majority of these units were rentals in buildings of five or more units that were affordable to lower and fixed income residents and families in SOMA and the Western Addition (Welch 1996). To combat these losses as state law was passed in 1976 that required the creation of new, one-for-one replacement housing for any destroyed dwelling units occupied by 'low' and 'moderate' income families.[16] This law also required 20% of the housing created in redevelopment areas to be affordable to low and moderate income households and allocated 20% of the developer tax increment revenues to fund this requirement (Rosen and Sullivan 2014: 131). Despite these efforts, there was still a net loss of 6,709 affordable housing units caused by SFRA's redevelopment prior to 1976 that were still not rebuilt as of 2000.[17]

The response to this so-called 'urban renewal' and the rapidly rising skyline that accompanied it was the birth of powerful tenant-led movements that served to put a stop to the practice of large-scale, publicly funded projects. In the 1970s, during the height of the redevelopment era in San Francisco, neighborhood groups began to become 'experts' in urban planning issues, going from defensive to offensive via lawsuits, planning and zoning controls, and ballot initiatives (Welch 1996). The passage of the California Environmental Quality Act (CEQA), which mandated that developers create an

[16] CAL. HEALTH & SAFETY CODE §§ 33410-18

[17] https://sfocii.org/senate-bill-2113

Environmental Impact Report (EIR) for projects requiring discretionary review, was also implemented by the San Francisco Board of Supervisors in 1973. This resulted in greater public input and more appeals than ever before as any citizen could now directly challenge a project without persuading the Board to review it.

This same year, President Nixon placed a moratorium on federal funding for housing projects, stopping the process of 'up front' funding for large scale clearance projects and instead diverting federal funding directly to the Mayor's office where it would have to compete with other local programs (Habert 1999). When this occurred, the former head of the city's Planning Commission, Allan Jacobs, pressured the city to pass Urban Design Guidelines, which gave his department discretionary review power over most new building designs, as he describes in his book *Making City Planning Work* (1978). Here, Jacobs also discusses how his new citywide density plan forced the Board of Supervisors to pass the Height and Bulk ordinance in 1972, which drastically limited the size of all new constructions (see Fig. 6).

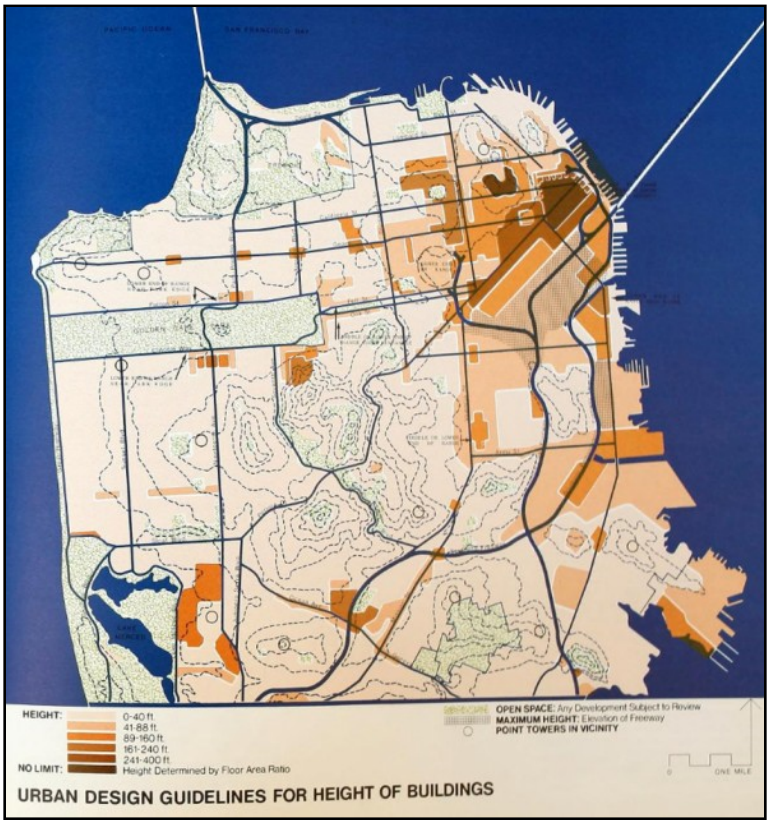


Figure 6: A map from San Francisco's 1971 Urban Design Plan. *NB:* Height restrictions and concentration of allowed density on the east side (from Oatman-Stanford 2018).

As discussed by Hunter Oatman-Stanford (2018) in a long-read article titled 'Demolishing the American dream: How San Francisco planned its own housing crisis', the slow-growth, preservationist movement culminated in 1978 with the Board of Supervisors' decision to approve a controversial residential rezoning plan that codified 40-foot building-height limits for most residential areas, lowered density requirements, and imposed set back rules that served to preserve the 'character' of residential neighborhoods (Oatman-Stanford 2018). While backers of this rezoning plan primarily aimed to limit excessive 'office creep' and the continued expansion of downtown into adjacent residential neighborhoods, this legislation also had significant consequences for housing in San Francisco that would be felt in subsequent decades.

According to the planning department's own EIR, these zoning changes would reduce the amount of housing that could be legally built by 180,000 units, equal to a roughly one-third drop in the city's potential for growth (Oatman-Stanford 2018). While this was seen as a win for neighborhood groups and environmental activists pitted against real estate developers and the machinations of urban redevelopment, it unintentionally solidified the foundations of a massive, impending housing crisis. According to Oatman-Stanford (2018), while the creation of stringent zoning preserved the newly established suburban character of certain (often white) communities it severely limited the construction of new affordable housing and further contributed to the overall housing shortage. Yet, these outcomes were not unforeseen. As discussed by Oatman-Stanford (2018), in 1978, Rai Okamoto, director of the Planning Department, expressed fears to the *San Francisco Chronicle* that downzoning the city would raise housing costs and force middle-income residents out of San Francisco.

As such, i is perhaps not surprising that Calvin Welch (1996), when describing the 1970s, states that "the roots of San Francisco's current housing affordability crisis can be traced back to this period in particular". At the same time San Francisco was downsizing via zoning, several other major events occurred that would have further impacts on the city's housing stock and affordability. First, on June 6th, 1978, voters passed Proposition 13, which capped property taxes at 1% of their assessed value (in 1976) and restricted annual increases of assessed value to an inflation factor, not to exceed 2% per year until the property was sold and its taxes were reset at the new market value. As Jeffery Chapman (1998) describes in his paper on the unintended consequences of Proposition 13, the lead up to this so-called tax reform initiative was based on rapidly increasing housing costs that led to fast rising property taxes, which was coupled with legislative inaction concerning the issue. Once passed, Proposition 13 caused city revenues to fall by $6 billion dollars almost over night (Chapman 1998). To account for this, cities had to look for new revenues such as sales taxes from commercial and office space.

Cities also turned to Tax Increment Financing (TIF) via redevelopment projects as a way to make up for lost revenue, as these projects sought to bring in high tax paying land uses at the expense of housing (Chapman 1998). Furthermore, as property values continued to rise homeowners were disincentivized to sell their homes, which caused a 'lock-in effect' that served to limit housing supply, lengthen tenure, and delay younger renters from buying a home (Picker 2005). As Chapman (1998) describes, another major talking point for the passage of Proposition 13 was that tax savings given to homeowners were supposed to be passed on to renters by landlords. However, this did not occur, prompting rent control revolts across California.

To cope with the rising dissent in San Francisco, in 1980 new Mayor Dianne Feinstein called for a 60-day rent freeze in the city (Rubin 1998). While this was intended to be temporary solution, this rent control was subsequently strengthened and remains in place today. Although rent control insulated renters living in buildings constructed before 1979 from quickly rising rents, it also incentivised them not to move. This was especially hard on newcomers since it limited the overall supply of rental units and forced new arrivals into newly built, high-rent units, creating a bifurcated rental market.

Despite these larger, looming issues, victories were won by tenant and resident organizations over the course of the decade. Aside from rent control these included: anti-speculation measures; the preservation of residential hotel units; limitations on condominium conversion; preservation of downtown residential neighborhoods; the development of 'special needs housing'; anti-discrimination housing laws; and the integration of affordable housing into new mixed-use neighborhoods (Rosen and Sullivan 2014: 127).

However, pro-growth agendas returned to the City in the 1980s, as previously publicly funded demolition was replaced by privately funded projects. As Calvin Welch (1996) recounts, from 1980 to 1995 a total of 2,326 units were demolished, with the majority of demolitions (2,000 units) undertaken by the private sector. Roughly half (1,033) of these units were single family homes and duplexes that were replaced by condominiums, while an additional 657 were residential hotel rooms (Welch 1996). As Welch (1996) reminds, "[t]he key fact to keep in mind when addressing residential demolition is that the newly built units are always less affordable than the ones demolished". According to Welch (1996), the construction and conversions of condominiums in this period had significant impacts on the overall availability of rental units in the city and resulted in higher rents and housing prices.

At the federal level, the presidency of Ronald Reagan (1981-1989) saw the implementation of neoliberal economic policies coupled with tax cuts that disproportionately impacted social services. For example, his administration cut overall federal assistance to local governments by 60%, which included cutting the budget of public housing and Section 8 vouchers by 50% and eliminating the anti-poverty Community Development Block Grant Program (CDBG), which was used in San

Francisco for the acquisition and rehabilitation of affordable housing and to support non-profits and community-based organizations (Drierer 2011; Rosen and Sullivan 2014). As John Baranski (2019) describes in his book, *Housing the City by the Bay*, in San Francisco the privatization and defunding of federal public housing in the 1980s left the SFHA with little money to repair its dilapidated housing stock and forced it to ultimately move away from the construction of such housing altogether.

When looking at the creation of homelessness in San Francisco, Randy Shaw (1996) believes the reduction of available subsidized housing and rapidly increasing rents and home values were the root cause. According to Shaw (1996), as the gap between incomes and housing costs widened, very low-income residents were left with no public alternatives, creating rising homelessness. Additionally, as mental health systems steadily declined, board-and-care homes were converted into rental housing or market-rate condominiums while public housing in disrepair was demolished (Shaw 1996). In an attempt to deal with the issue of rising homelessness Mayor Diane Feinstein spent millions of dollars on a 'hotline hotel' program, which actually took SROs that had served as permanent housing and turned them into sites for transient occupancy use, exacerbating the issue (Shaw 1996).

Although Feinstein's pro-growth approach to downtown development fostered the continued and heavy transformation of SOMA via the completion of the Moscone Convention Center and the addition of high-rise offices and high-rent apartments, her mayorship also saw increasing pushback from neighborhood groups and progressive politicians, especially against 'office creep' that limited housing supply (Rubin 1998). In 1986, voters passed the highly contentious Proposition M, which was designed to limit the rapid rate of office development. As Richard Deleon (1992: 38, 54) highlights in his book *Left Coast City,* from 1965-1985 office production averaged 1.7 million feet per year as office vacancy rates averaged 15% per year and 18% for Class A. With housing being demolished downtown for the construction of new office space as part of the SF Planning Department's Downtown Plan, Proposition M capped the amount of office development that could be approved each year and created a competitive process among developers seeking to construct office projects (Rosen and Sullivan 2014: 140).

This unprecedented measure gave community groups and housing advocates leverage in land use and housing decisions in the City. As stated by Deleon (1992: 82), Proposition M was "not merely a change in the system but a change of the system", and this change paved the way for more progressive approaches to housing policy in the late 1980s and early 1990s that aimed to combat the prevailing political pro-growth agenda. Yet, while Deleon (1992: 135) was quick to declare the "pro-growth" regime had "fallen to pieces" by the early 1990s, the following decade would see political change and urban development on a new scale that would have substantial impacts on housing affordability.

3.3 The Nineties to Now: Crisis Complete

While home values in San Francisco rose steadily over the 1980s, the early 1990s brought a mild housing recession to the city that was experienced nationwide, but enhanced by the 1989 Loma Prieta earthquake in San Francisco. In fact, from 1990-1995 San Francisco home price appreciation dropped 11% (Lazier 2020). Over this same period very little market rate housing was constructed overall, and in 1994 affordable housing units financed by the public sector comprised 63% (776 units) of all housing constructed that year (Rosen and Sullivan 2014: 147). Local funding for rental housing and homeownership was also cut at this time according to the Mayor's Office of Housing Annual Performance Reports, with funding for rental assistance dropping from over $15 million in 1992 to $3.8 million in 1995, and funding for homeownership assistance going from $1.8 million to $487,000 over the same period (Welch 1996).

To address the loss and damage of an estimated 6,300 rental and affordable units due to the Loma Prieta earthquake in the downtown area (Comerio 1997), the largest development project in San Francisco's history was approved by the Board of Supervisors in 1991. This was mixed use project was to be constructed on a 303-acre parcel that housed former railroad yards in Mission Bay (Rosen and Sullivan 2014: 144) (Fig. 7). However, due to the the economic conditions at the time, the developer (Catellus) had to back out of the initial agreement, which was intended to be privately funded (Demhof 2011). In 1995 a new plan was devised, and under Mayor Willie Brown, the project was redesigned to include a "43-acre University of California, San Francisco medical campus; 6000 housing units, 1700 of which would be permanently affordable; 5 million square feet of commercial space; and 43 acres of public space" (Rosen and Sullivan 2014: 144).

Figure 7: Plan of Mission Bay Redevelopment Project (from SPUR: http://www.designforwalkability.com/casesix).

This new project was put under the jurisdiction of the SFRA and funded by Tax Increment Financing (TIF), which allowed the taxes from the new construction to be used to fund the project itself, rather than enter city coffers. According to Demhoff (2011), this was actually a boon to housing activists that seized on the TIF funding to demand the high numbers of affordable housing units included. While this was seen as win for affordable housing advocates at the time it has taken several decades to complete the project. According to a report from OCII, as of April 2019, a total of 5,789 housing units, including 1,191 affordable units had been constructed with another 725 affordable units in the pipeline.[18]

The election of Mayor Brown and the beginning of the dot.com boom in 1995 also triggered a new era of development that would significantly alter San Francisco's housing and planning landscape. According to Demhoff (2011), Brown's eight years in office were a 'hey-day' for landlords and developers in the city. Indeed, as Quintin Mecke (2004) describes in his article 'McFrisco', "Brown 'McDonaldized' the City Planning Department into the Department of Development Facilitation, ensuring that the process of approving high-end, unaffordable developments was simplified to a mere formality".

As hundreds of new startups in San Francisco and the greater Bay Area brought thousands of new employees into the City its population rapidly increased during the 1990s and new housing solutions were needed to accommodate this influx. To accomplish this a zoning loophole was used to quickly convert old warehouses to 'live/work' spaces, primarily in SOMA. These builds were not identified as housing by the city, allowing developers to skirt various fees and school taxes (Demhoff 2011). As discussed by Mecke (2004), these projects were streamlined under the Planning Department at the time, and from 1997 to 2001 over 2,500 live-work units were approved throughout the City, with the majority in neighborhoods such as SOMA, the Mission, and Potrero Hill. As stated by Mecke (2004), "not one proposed live-work project was ever rejected, a record so frighteningly perfect that to this day it can make any sane planner still working for the Planning Department cringe when it's mentioned".

With more businesses and employees drawn to San Francisco in the late 1990s housing prices and rents began to rise dramatically. Although housing construction

---

[18] www.sfocii.org

increased with 3,400 units approved in 1999, this was not enough to keep pace with intensely growing demand that saw a ratio of 6.5 jobs added for every one new home (Rosen and Sullivan 2014: 147). Between 1994 and 2000 the average rent for a two-bedroom apartment increased 115% while the average cost of a three-bedroom home rose 70% (ibid). As new, higher income workers began to move from SOMA to the Mission, pressure was put on these longstanding communities and evictions began to increase (Demhoff 2011).

In fact, from 1994 to 1999 the number of evictions in the city tripled while the number of applicants for new affordable housing units exceeded production by a factor of ten to one (Rosen and Sullivan 2014: 147). As such, it was clear that San Francisco had officially entered into a housing crisis, prompting Mayor Brown to lament in his 1999 State of the City address that nothing threatens the diversity of the city more than a lack of decent affordable housing (ibid) (see Fig. 8).

Figure 8: An anti-eviction demonstration outside city Hall in 1999 (Photo by Chris Carlsson; from Mecke 2004).

Despite this difficult period in San Francisco's housing history, there were also some wins for affordable housing advocates and programs in the later 1990s. For example, in 1996 the Council of Community Housing Organizations (CCHO) was successful in getting Proposition A on the ballot, which was a $100 million bond for affordable housing (Rosen and Sullivan 2014: 146). This proposition passed with a two-thirds 'yes' vote and increased property taxes to subsidize the construction of low-income rental housing and provide loans for down payments to moderate income households that would be paid back and used for other initiatives (ibid). In total, this helped create 2,125 affordable rental units and 249 loans to first-time homebuyers (ibid). The following year, in 1997, San Francisco created a Housing Preservation Program to preserve federally funded affordable units from becoming market rate housing due to a policy change at the federal level. While over 100,000 units of federally assisted affordable housing where lost nation-wide, San Francisco did not lose a single unit thanks to this program (Rosen and Sullivan 2014: 145-6).

As the so-called 'dot.com bubble' burst in 2000-2001 it took some pressure off the San Francisco housing market, but not much, since from 1993 to 2000 residential rents in

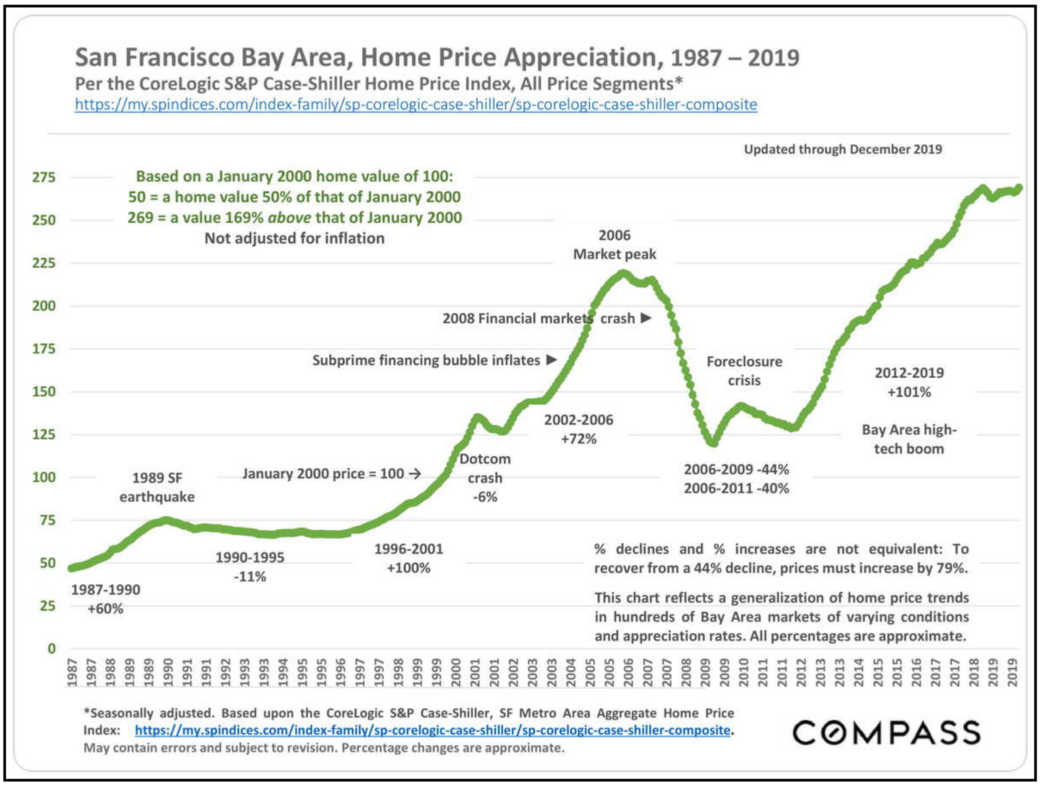


Figure 9: Chart showing San Francisco Bay Area home price appreciation from 1987-2019. *NB:* 'dotcom crash', 'market peak', 'foreclosure crisis', 'Bay Area high tech boom' (from compass.com).

San Francisco had already risen 300% (Demhoff 2011). In fact, home prices only dropped 6% in 2001, and from 2002 to 2006 they jumped back up by 72% in the Bay Area overall (Lazier 2020; Figure 9, above).

In 2000 the new Giants Major League Baseball stadium (now known as Oracle Park) opened to great fan-fare and the price of housing quickly rose in the surrounding Mission Bay area (Demhoff 2011). This was followed in 2004 by the construction of multiple large residential towers in Rincon Hill that were streamlined by Mayor Gavin Newsom and the Board of Supervisors after San Francisco had successfully secured a bid to become the next biotech headquarters when California voters passed a stem cell research initiative that provided $3 billion over 10 years (Shaw 2005; Demhoff 2011). According to Shaw (2005), these 40-60 story buildings with units selling for $1 million each were designed for high earning biotech workers and foreign investors to use as second homes. This area is also home to the site of the 1,070 ft Salesforce tower, which broke ground in 2013 and was completed in 2018. In Demhoff's (2011) opinion, the goal of developers was to raise land values and rents in the area in an effort to bring new, higher income inhabitants into the neighborhood while forcing lower income residents out.

In 2002 the city adopted its Inclusionary Affordable Housing Ordinance, which allowed it to capitalize, somewhat, on this residential growth. This program provided developers an incentive to construct inclusionary housing in buildings of 10+ units rather than pay an in lieu fee (BLA 2012). The units constructed were reserved for those making between 50% and 120% of the San Francisco Area Median Income. According to a 2012 BLA report, from FY 2002-03 through FY 2009-10, developers contributed to the construction of 1,204 units of below market rate housing, with 87% of these being constructed as part of master building projects and 13% via in lieu fees.

Overall, 1,440 affordable housing units were developed due to the City's Inclusionary Affordable Housing Ordinance, which represented approximately 18% of the 8,081 affordable housing units financed by the Mayor's Office of Housing or the SFRA between 2002 and 2010 (BLA 2012: 46). However, in 2010 a Fee Deferral Program was created that allowed developers to defer 80-85% of affordable housing fees, resulting in the preference for payment of in lieu fees and less overall affordable housing construction (BLA 2012: 45). Today (2022), the City requires a minimum of 21.5% of units to be below market rate for projects greater than 25 units.[19]

While housing prices in San Francisco and the Bay Area rose steadily until reaching a market peak in 2006 (see Fig. 9, above), the 2008 financial market crash and consequent foreclosure crisis saw prices drop by over 40% in San Francisco by 2009 (Figure 9). However, this was not spread evenly across socio-economic sectors as prices for lower-end homes in the Bay Area dropped by 60%, while higher-end homes only saw a 15% decrease (Lazier 2020). In general, lower income residents were hit harder by this crisis as they often had sub-prime mortgages and, in many cases, lost their homes to foreclosure. The financial crisis also led to a severe lack of housing construction in San Francisco that lasted several years. While 3,366 new units were added in 2009 only 752 units were authorized for construction (Housing Inventory 2020: 19). In 2010, only 1,082 units were constructed and in 2011 this number dropped to an historic low of 348 new units with only 269 net units added (Ibid).

Although the impacts of the 2008 recession where felt for several years, San Francisco's construction and housing markets began to bounce back faster than the rest of the country (Karlinsky 2013). Despite the very low number of units added in 2011, spending on new construction, both public and private, actually exceeded the ten year average by a billion dollars, coming in at $3.4 billion, beating the 2005 peak (Commerce &

[19] https://sfplanning.org/sites/default/files/forms/Inclusionary_Affordable_Housing_Affidavit.pdf

Industry Inventory 2012). In 2012, a total of 32,120 new residential units were approved by the Planning Department, yet half of these were represented by large-scale projects at Park Merced, Treasure Island, and Bayview/Hunters Point that will not be completed for several decades (Metcalf and Walburg 2012; Housing Pipeline Report 2012). Regardless, in 2012, more than 4,200 residential units were under construction in San Francisco, and while the total number of new units completed that year was only 794, this number jumped to 2,330 in 2013 and 3,454 new units in 2014 (Metcalf and Walburg 2012; Housing Inventory 2020: 19).

From October 2012 to October 2013, rents also increased citywide by 17%, which was more than any other Bay Area county (Karlinsky 2013). This was largely driven by increasing demand, as the growing technology sector added 13,000 new jobs in San Francisco between 2010 and 2012 (Metcalf and Walburg 2012 n. 12). In 2013, San Francisco was the fastest-growing county in the United States for private sector employment, beating out both Austin and Houston and adding almost twice as many tech jobs as Santa Clara County and about 20% more than San Mateo County (Karlinsky 2013 n. 3). This rapid increase in job creation added more pressure to an already constrained housing supply, and while much of the country and the world was still experiencing an economic recession, San Francisco's rents and housing prices were increasing, with the average home price going up by 21.9% between 2009 and 2013 (Metcalf and Walburg 2012; BLA 2013).

With higher home prices and rents drawing in more investment to a chronically undersupplied, 'core' residential market, evictions also began to rise again (Metcalf and Walburg 2012; BLA 2013). According to a 2013 BLA report, "there were 162 Ellis Act evictions for the twelve month period ending September 2013, an increase of 145.5 percent from the 66 Ellis Act evictions for the prior twelve months". In their report, the

BLA also found a strong correlation between ‘no-fault’ evictions, such as Ellis Act and Owner Move-In (OMI) evictions, and rising rents and property values from 2001 to 2013.

Although San Francisco added 30,822 net residential units from 2011 to 2020 for an average of 3,082 per year, which doubled the average of *c*. 1,500 units per year from 1993 to 2012, housing supply in the city has remained constrained and both rents and home prices have risen significantly (Metcalf and Walburg 2012; Housing Inventory 2020: 17). As both city population and job creation continued to grow at a rapid pace, the production of housing stock in San Francisco did not keep up. According to a 2019 BLA report (BLA 2019), between 2010 and 2018 job growth far outpaced housing production with 8.5 new jobs added for every new housing unit produced. Furthermore, while San Francisco produced 20,711 net new residential units from 2017 to 2021, only 5,253 (25%) of these were affordable (Housing Inventory 2021: 26). This is despite the fact that San Francisco is adding similar amounts of both high wage and low wage jobs (BLA 2019). However, these more recent trends will be explored in greater detail in the following section.

4. Data Analysis

4.1 San Francisco's Housing Stock: Current Data and Recent Trends

Every year the San Francisco Planning Department conducts an annual survey of housing production trends known as the *Housing Inventory*. This report records changes in the City's housing stock, including housing construction, demolition, and alterations. It has been published regularly since 1967 and examines both market rate and affordable housing production in detail. As such, these reports provide a good basis for evaluating the housing production goals and policies of the Housing Element that San Francisco is required to submit to the HCD.

The most recent report available is the 2021 *Housing Inventory*, published by the Planning Department in April 2022. To examine recent housing trends in San Francisco, data from this report and the 2020 Housing Inventory will be used alongside other city reports including the San Francisco Housing Needs and Trends Report (July 2018), the San Francisco Housing Affordability Strategies reports (2020), drafts of San Francisco's Housing Element (January-March 2022), the most recent Housing Balance Reports (April 2021 and 2022), and an Affordable Housing Funding report presented to the Board of Supervisors in May 2022. Data from several San Francisco Budget and Legislative Analyst (BLA) reports are also reviewed here.

As can be seen in Figure 10 (below), San Francisco's 2021 housing stock is divided into several categories by building type. Of the total 407,020 units in San Francisco, the majority (31%) of these units are in buildings of 20+ units, which is just barely ahead of single family homes for the next largest percentage of the city's housing stock (30%). In total, 70% of the City's housing stock is in multifamily/multi-unit buildings.

Roughly 65% of San Francisco's housing stock is comprised of rentals while 35% is owner occupied (Housing Needs and Trends Report 2018: 4). When looking at the entire nine-county Bay Area, this trend flips to 45% renter occupied and 55% owner

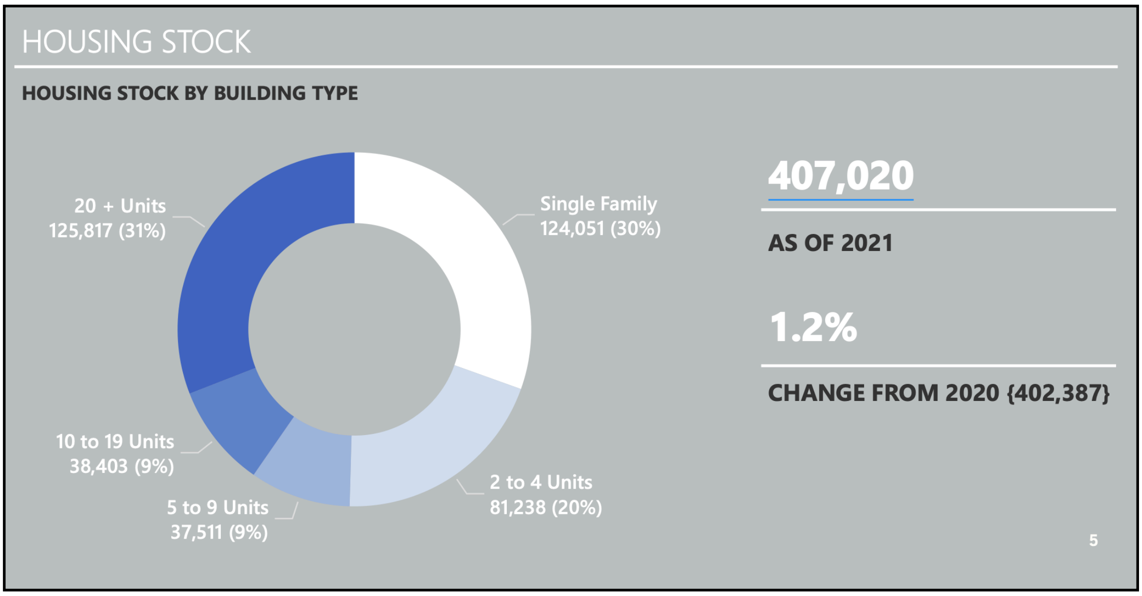


Figure 10: Chart showing San Francisco's housing stock by building type as of 2021 (from San Francisco Housing Inventory 2021).

occupied (ibid). Rent control in San Francisco covers all rental units in buildings with a certificate of occupancy dating to before June 13, 1979, but does not cover single-family homes. At the end of 2021, roughly 175,000 of the City's rental units were rent controlled, representing about 66% of all rental units (Housing Balance Report 2021: 14). However, once a unit is vacated, landlords can increase the rent to market rate in a process known as 'vacancy de-control'.

About 80% of San Francisco's total housing stock was built before 1980, and the construction of single family homes has dwindled substantially since this time while the construction of buildings with 20+ units has increased significantly (see Figure 11, below). In fact, in 2021 these buildings edged out single-family homes for the largest overall share of San Francisco's housing stock for the first time ever (see Figure 10, above). Overall, the construction of apartment buildings with higher densities has increased over the last several decades, as 92% of new housing units built from 2011 to 2021 have been in buildings with 20 or more units - a total of 32,321 out of 35,055 new units added (Housing Inventory 2021: 17).

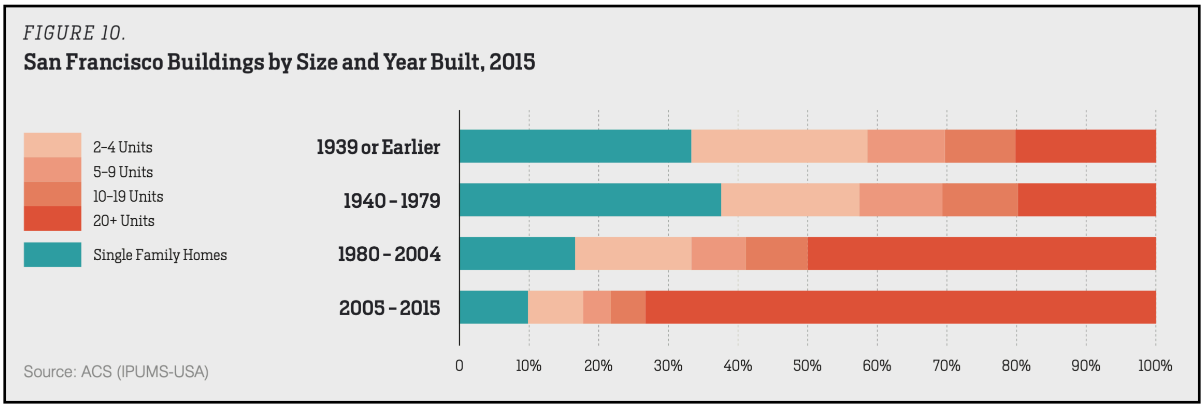


Figure 11: Graph showing San Francisco housing stock by type of building and year built as of 2015 (from San Francisco Housing Needs and Trends Report 2018).

In 2021, San Francisco produced at net total of 4,633 units, up from 4,043 in 2020 and 33.2% above the ten-year average of 3,478 units (Housing Inventory 2021: 5-6). Following recent trends, 89% of the units built in 2021 (4,142 units) were in buildings with 20+ units (Figure 12). Although single family homes represent 30% of San Francisco's total housing stock, they only represented 0.4% of new net housing units built in 2021 and have essentially halted in construction (Figure 12). This means that over 99% of new housing in San Francisco is in multi-family buildings.

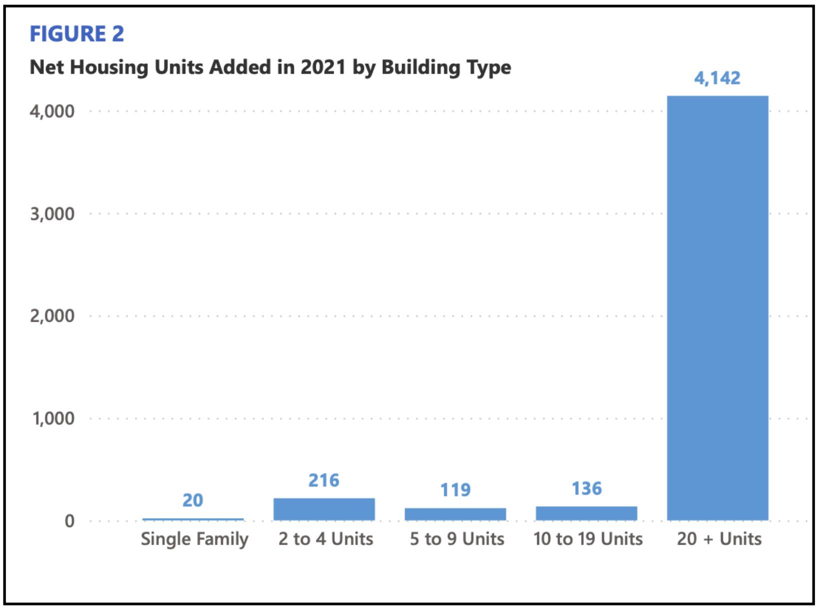


Figure 12: Image showing net housing units added in San Francisco by building type in 2021 (from San Francisco Housing Inventory 2021).

The reasons for this are primarily financial as rising costs region-wide have outpaced the rate of growth in rents, which has prevented production (Housing Affordability Strategies 2020a: 30). Under current market conditions the construction of taller high-rises (more than 20 stories), generally in or near Downtown (Tiers 1 and 2), are more financially feasible than other building types since these buildings can generate revenues that offset the cost of development (Figure 13). However, the further away from the Downtown area (Tiers 3 and 4), the less financially feasible it is for developers to build.

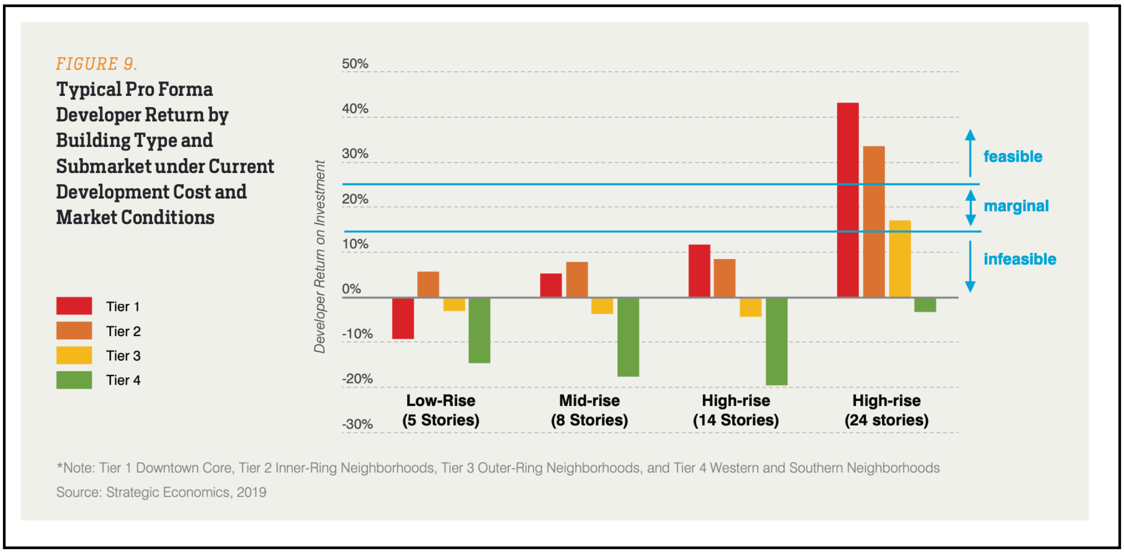


Figure 13: Image illustrating typical pro-forma developer return by building type and submarket. Tier 1 - Downtown Core; Tier 2 - Inner-Ring Neighborhoods; Tier 3 - Outer-Ring Neighborhoods; Tier 4 - Western and Southern Neighborhoods (from San Francisco Housing Affordability Strategies 2020).

4.1.2 Location Trends

The construction of new housing units in 2021 was primarily concentrated in the Mission (1,182), Downtown (1,155), and the South of Market (1,080) Planning Districts, as can be seen in Figure 14. In 2021, the Eastside of the City (South of Market plus Downtown) represented 48% of net new housing added, while the Mission district represented 25.5%. As such, the rest of the Planning Districts in the City produced a combined total of 26.5% of the net housing added in 2021, which is up from 15.4% in 2020 (Housing Inventory 2020: 41; Housing Inventory 2021: 41).

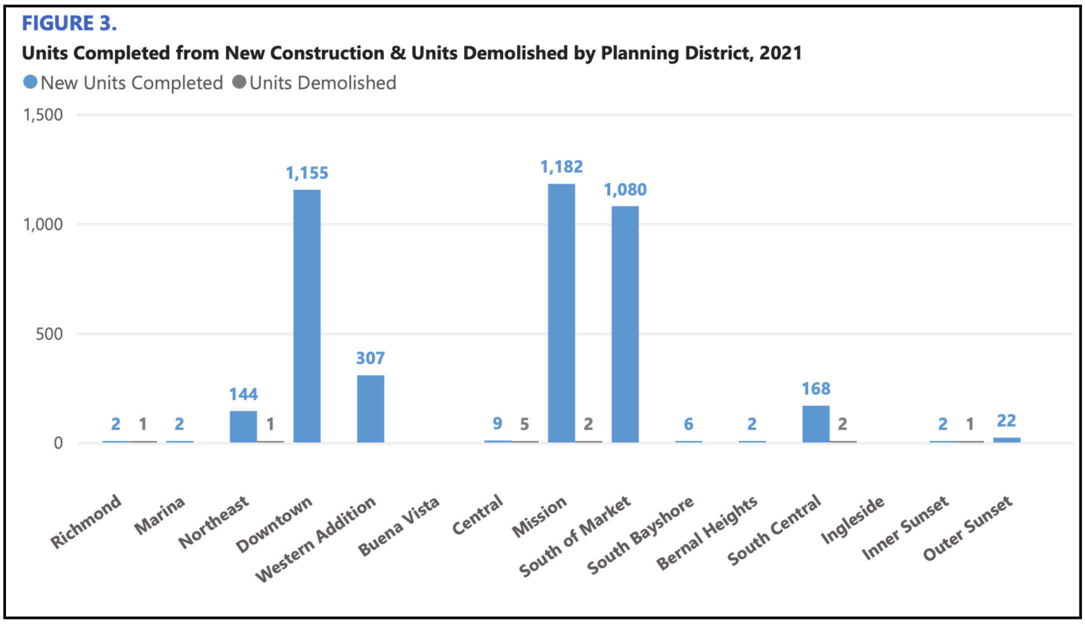


Figure 14: New units completed and new units demolished by planning district in San Francisco in 2021. *NB*: Downtown, Mission, and South of Market (from San Francisco Housing Inventory 2021).

Overall, the east side has far outpaced the rest of the city in residential growth over the last decade. In 2010, the South of Market Planning District ranked 11th out of fifteen Districts in total unit count with 22,061, which represented about 6% of all units in the city (Housing Inventory 2020: 42-45). However, from 2011 to 2020 this Planning District saw the biggest jump in production with 15,514 units added. This was 10,535 more units than any other Planning District in this ten-year span. Of the 30,822 units added to the City from 2011 to 2020, 50% were in the South of Market Planning District (Housing Inventory 2020: 42-45).

The Planning Districts which added the least housing over this ten-year period were Bernal Heights (64), The Inner and Outer Sunset (119 and 126), South Central (291), Central (359), and Richmond (477) (Housing Inventory 2020: 42-45). The lack of new housing in these zones is largely attributable to a combination of strict zoning laws that do not currently allow for more than 3-unit buildings, and a saturation of single family homes built in earlier periods. Although the Northeast and Richmond Planning Districts contain the most total units, these Districts only added 144 units (Northeast) and 2 units

(Richmond), respectively, in 2021. Given current trends it appears that the South of Market will soon surpass both the Northeast and the Richmond as the Planning District with the most residential units in the City (see Figure 15).

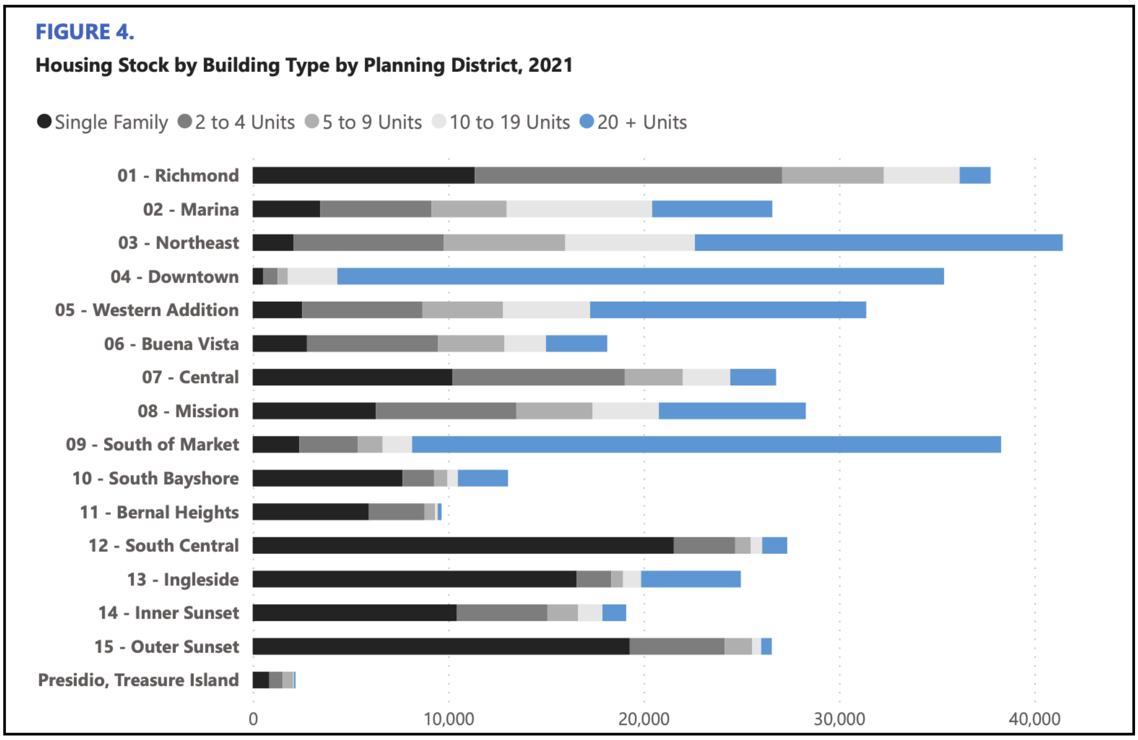


Figure 15: Housing stock by building type in each planning district in 2021. *NB*: Quantity of buildings with 20+ units in Downtown (04) and South of Market (09) (from

In 2021, the two densest Planning Districts were also Downtown and South of Market. In the Downtown Planning District 87% of all housing is in buildings with 20+ units (29,834 units), while 78% of units in the South of Market District are in buildings with 20+ units (29,394 units - more than double the 14,070 total from 2010) (Housing Inventory 2021: 42; Figure 15). Combined these two Planning Districts contain nearly half of the City's high-density housing.

The Planning Districts with the highest number of single-family homes were South Central, Outer Sunset, and Ingleside (Figure 15, above). Together these areas accounted for approximately 46% of all single-family homes. These Districts were also several of the worst performing when it came to the addition of housing units. For example, South Central only added 291 net units in this ten-year span while the Inner Sunset added 119 and the Outer Sunset added 126. The larger Districts of Richmond and Ingleside added 477 and 570 units, respectively (Housing Inventory 2020: 42-45). However, the worst performing District in terms of housing production was Bernal Heights, which accounted for only 64 units added in ten years (Housing Inventory 2020: 44).

The data presented above matches well with trends observed over the past ten years in San Francisco's most recent Housing Balance Report (April 2022). This report covers the period between January 1st, 2012 through December 31st, 2021 and breaks down housing data by Board of Supervisors' District rather than Planning District. As can be seen in Figure 16 (below), District 6, which contains part of the South of Market Planning District, has produced 19,058 net new units over the last ten years. However, in Districts 1, 4, and 7, which comprise the majority of the westside of the City, a *combined* total of 1,276 units were produced in this same period, with only 189 new net units added in District 4 over the last ten years. This data reiterates that the majority of new housing has been built on the east side of the city, with the westside failing to contribute in a significant way.

Table 1A
Cumulative Housing Balance Calculation, 2012 Q1—2021 Q4

Bos District	Net New Affordable Housing Built	Total Entitled & Permitted Affordable Units	Units Removed from Protected Status	Total Net New Units Built	Total Entitled & Permitted Units	Cumulative Housing Balance
BoS Dist. 1	46	-	477	466	302	-56.1%
BoS Dist. 2	98	41	289	988	650	-9.2%
BoS Dist. 3	443	252	298	1,307	1,239	15.6%
BoS Dist. 4	37	15	474	189	370	-75.5%
BoS Dist. 5	604	343	324	1,749	1,511	19.1%
BoS Dist. 6	3,991	3,863	142	19,058	16,348	21.8%
BoS Dist. 7	152	284	225	621	5,820	3.3%
BoS Dist. 8	275	38	610	1,556	722	-13.0%
BoS Dist. 9	768	368	660	2,376	1,644	11.8%
BoS Dist. 10	2,001	4,298	299	6,175	19,244	23.6%
BoS Dist. 11	57	320	402	414	719	-2.2%
Totals	**8,472**	**9,822**	**4,200**	**34,899**	**48,569**	**16.9%**

Figure 16: Table showing Cumulative housing balance over ten-year period from 2012 to 2021 by Board of Supervisors district. NB: Total new units and net new affordable units built (from San Francisco Housing Balance Report 2021).

4.2 Population, Jobs, Housing, and Incomes

According to the California Employment Development Department, from 2010 to 2018 total jobs in San Francisco rose from 550,300 to 760,300, an increase of 210,000, or 27.6%. During the same time, the number of housing units added in San Francisco only increased by 6.5% (24,671 units). Between 2010 and 2018 job growth far outpaced housing production with 8.5 new jobs for each new housing unit produced. According to a 2019 BLA report that evaluated the current and planned housing stock in San Francisco, in 2010 there were 468 housing units produced for every 1,000 residents, but in 2018 this number had fallen to 311.8 housing units for every 1,000 new residents, indicating a reduction in housing production relative to population (see Figure 17).

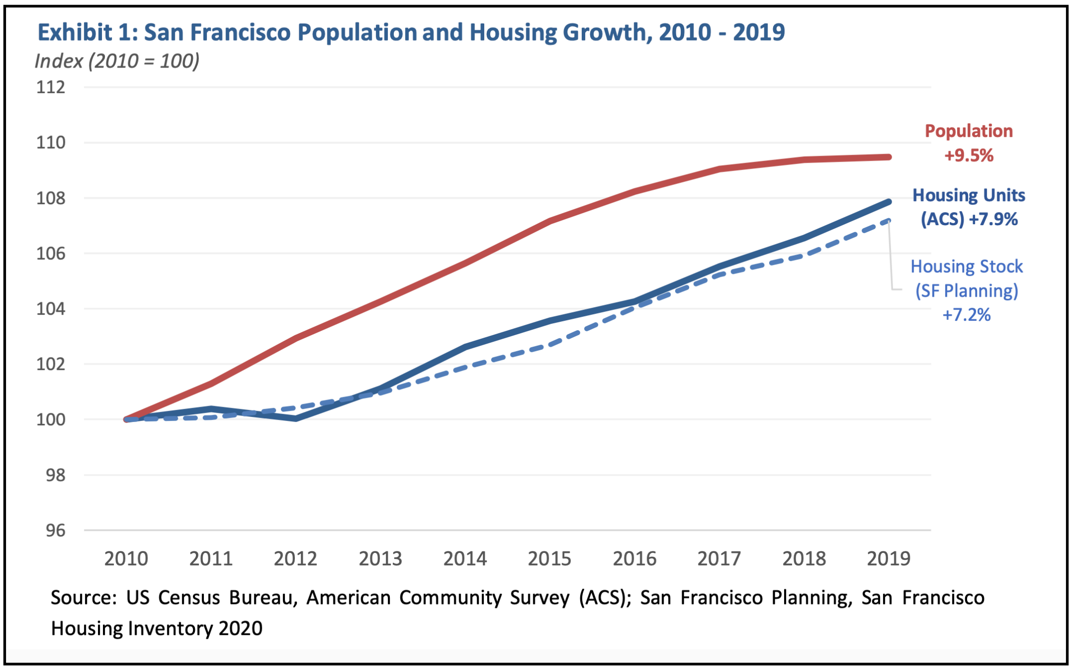


Figure 17: Chart showing San Francisco population growth compared to housing units produced from 2010 to 2019 (from BLA 2022a).

The failure to produce enough housing to accommodate a growing population has placed upward pressure on rents and housing prices in the city making it increasingly unaffordable (BLA 2019: 3). In January 2010 the median sale price for homes in San Francisco was $703,000, but by January 2019 it was $1.3 million, while rent listings for a two-bedroom apartment increased from $3,300 to $4,500 between 2010 and 2019 (BLA 2019: 13, Table 6). Since the onset of the Covid-19 pandemic in 2020, these numbers have dipped slightly as the city's population has declined. According to census data from July 2020 to July 2021 San Francisco lost 54,813 residents, a 6.3% decline in population, which was the largest percentage drop in the nation and the lowest San Francisco's population has been since 2010 (Li and Neilson 2022). Despite this change, housing prices and rents in the City still remain unaffordable for large portions of the population. For example, in 2022 the median price for a condominium is $1.2 million, which is affordable to households making $222,000 per year - a salary earned by less than 25% of San Francisco households and less than 10% of individual workers (Housing Element Update 2022b: 5). Rent for a 2-bedroom apartment in 2022 is $3,800 per month (down from $4,500 in 2019), but this is only affordable for a household earning $137,000 per year, a figure made by less than 40% of San Francisco households (ibid).

Although overall job growth in San Francisco has been concentrated in both high-wage and low-wage industries, housing production has overwhelmingly been concentrated on market rate (high income) housing. For example, during the current RHNA cycle (2015-2023) San Francisco has produced 151% of the required 'above moderate' income housing while only producing 42% and 53% of the targets for 'very low' and 'low' income households, respectively - a total of 5,046 units for both categories combined (Housing Element Update 2022b: 6). This magnifies a longer term trend in housing production, as from 2010 to 2021 only 25% of all housing produced in the city has been affordable to 'low' and 'moderate' income households (BLA 2019; Housing Inventory 2021: 26).

As higher income households have occupied a growing share of the city's housing of all types, a growing portion of the city's rent controlled housing has also been taken by higher income earners. For example, between 2010 and 2017 the median low-wage household spent 42.8% of their gross income on rent, which increased slightly to 44.3% in 2017 (BLA 2019). However, high-wage households only spent 16% of their income for rent in 2010 and remained at this rate in 2017, staying flat. According to the BLA report this could be traced to rent control, which prevents some households (in this case, high income) from experiencing the rent burden that they would if they were paying market rate (BLA 2019: 14).

Looking at the change in number of households by household income, from 1990 to 2015 San Francisco added over 60,000 households with incomes above 200% AMI and lost around 40,000 household making between 30-120% AMI (HAS 2020) (Figure 18). There has been an especially big decrease in the number of lower income households (<80% AMI) living in the City, which went from 44% of the total households in 2010 to 31% in 2018 (-23%) (Figure 19). Moderate-income households also decreased from 16% to 13% of the total households in this period. The largest increase came in high-income households, which rose from 41% of the total population in 2010 to 55% in 2017 (see fig). As can be seen from Figures 18 and 19, San Francisco is predominately populated by

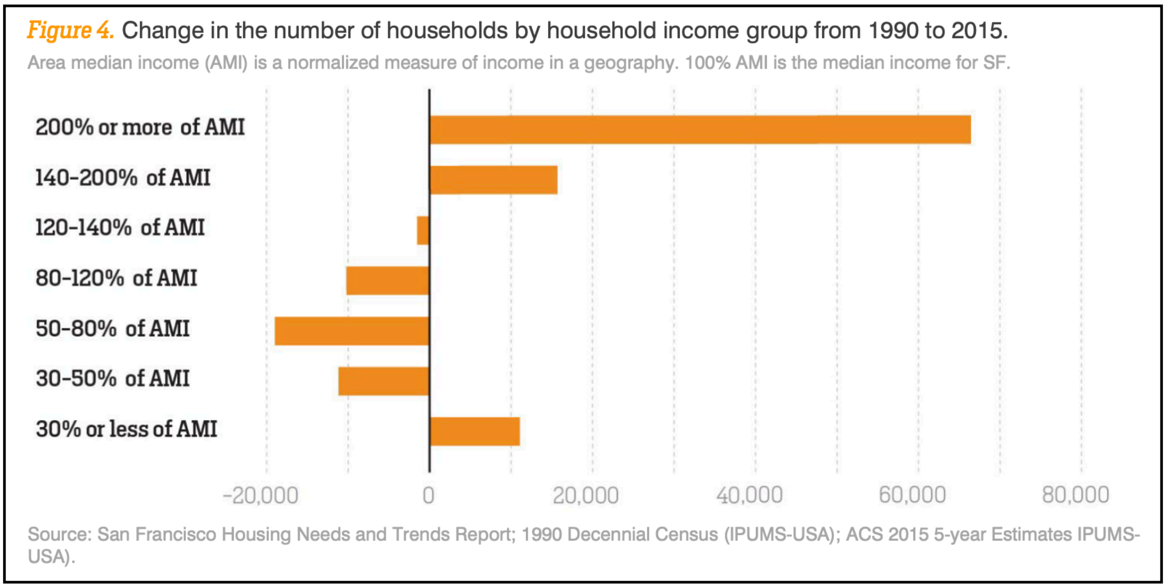


Figure 18: Image showing change in number of households by income group in San Francisco from 1990 to 2015 (from San Francisco Housing and Affordability Strategies 2020).

high income and low-income households, with fewer moderate income households and jobs.

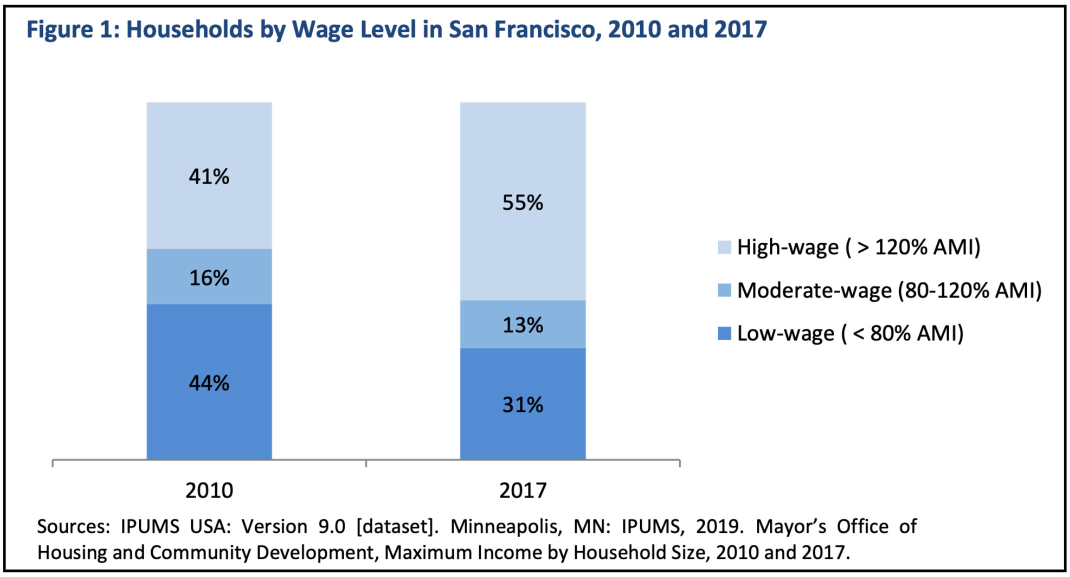


Figure 19: Image showing changes in households by wage level in San Francisco from 2010 to 2017. *NB*: Change in high-wage earners and low-wage earners (from BLA 2019).

According to the California Employment Development Department, the number of jobs in the San Francisco area is projected to increase by 126,950, or 11%, between 2016 and 2026. Of this, high-wage jobs are projected to increase by 14%, the highest rate of all jobs categories. Yet low-wage jobs are also projected to increase by 11%, nearly keeping pace with high wage jobs. Following these trends, it was projected that San Francisco will

Table 16: Projected Jobs by Wage Level, Estimate for San Francisco County Only, 2016-2026

Wage Level	2016 Employment	2026 Employment	Change	Housing Needed	Housing Constructed 2016-2018	% Housing Needed	Housing Needed 2019-2026
Low-wage	275,868	307,586	31,718	18,229	974	5.3%	17,255
Moderate-wage	190,750	200,018	9,267	5,326	1,939	36.4%	3,387
High-wage	291,089	331,466	40,377	23,205	9,183	40.0%	14,022
Total	**757,707**	**839,069**	**81,362**	**46,760**	**12,096**	**25.9%**	**34,664**

Source: CA Employment Development Department, 2016-2026 Employment Projections.
Note: Housing needed accounts for the housing that was completed between 2016 and 2018 according to the SF Planning Housing Inventory 2018.

Figure 20: Table showing projected jobs and projected housing needs by wage level in San Francisco by 2026 (from BLA 2019).

need to add 34,664 housing units from 2019 to 2026 to match the anticipated employment growth. Of these, a projected 17,255 units will need to be for low-income households while 14,022 units are designated for high income households, as ‘high wage’ housing has already been built at a skewed ratio (see Figure 20, above).

4.3 Affordable Housing in San Francisco: Current Data and Recent Trends

4.3.1 Defining Affordability

In general, affordable housing refers to housing where the rent or cost of ownership is equal to 30% or less of household income. This term can also be used to refer to housing that is subsidized by the government and/or rented or sold at prices below market rate. Such housing is generally restricted to households with ‘very low’ to ‘moderate’ incomes. There are several different affordability categories that are defined by income level in relation to the local Area Median Income (AMI). These categories are determined by the United States Department of Housing and Urban Development (HUD) for the San Francisco HUD Metro Fair Market Rent Area (HMFA), which includes San Francisco, Marin, and San Mateo counties (Housing Inventory 2020: 32). The categories are as follows[20]:

- Moderate Income: 80%-120% AMI
- Low Income: 50%-80% AMI
- Very Low Income: 30%-50% AMI
- Extremely Low Income: below 30% AMI

Each year the Area Median Income (AMI) changes, but in 2020 San Francisco’s median income was $89,650 for an individual and $128,100 for a family of four.[21] It is worth noting

[20] https://onesanfrancisco.org/the-plan-2022/affordable-housing-as-public-asset

[21] See n. 18

that the AMI used by HUD differs from that used by the California Tax Credit Allocation Committee (TCAC) and San Francisco's Mayor's Office of Housing and Community Development (MOHCD). Because MOHCD uses an "unadjusted" AMI with an upward high cost adjuster, the real incomes that correspond to MOHCD's AMI levels are lower than those for the same AMI levels published by HUD and TCAC.[22]

4.3.2 New Affordable Housing Production

As of 2018, San Francisco had about 33,000 permanently affordable housing units that were built using a combination of federal, state, and local funding (Housing Needs and Trends 2018: 18; Housing Affordability Strategies 2020a: 7). In San Francisco the construction of new affordable housing units is accomplished via three main sources: inclusionary units, units in 100% affordable projects, and affordable ADUs. From 2006 to 2018 two thirds of new affordable units built in San Francisco were in 100% affordable buildings (5,664 units), while one third was represented by inclusionary units (2,761) (Housing Affordability Strategies 2020b: 9). The perseveration of affordable units is typically undertaken through MOHCD's Small Sites Program and the Rental Assistance Demonstration (RAD) program. From 2016 to 2021 these programs preserved a combined total of 4,201 affordable units (Housing Inventory 2021: 39).

While the source of production and the income bracket for which the housing is produced varies from year to year the overall percentage of net new affordable housing produced over the last ten years (2012-2021) has been 24.3% of all new units constructed (Housing Balance Report 2021: 5). Looking at more recent data from the Planning Department's 2021 Housing Inventory, a total of 715 new affordable housing units were produced in 2020, which was only 15% of the gross units added that year. Of these, 486 were inclusionary housing units, which made up 68% of the total.

[22] See n. 18

However, in 2021 there was a major uptick in affordable units added overall with 1,495 (Figure 21). This is more than double the previous year and 42% higher than the five year average of 1,051 affordable units built (Housing Inventory 2021: 35-36). The majority of the units constructed in 2021 were in 100% affordable projects (855 units or 57%), while 355 units (23%) were inclusionary (Figure 21). From 2017 to 2021 the total number of units produced in 100% affordable projects have been relatively even with the total number of inclusionary units produced (Figure 21).

TABLE 25.

New Affordable Housing Production by Source, 2017-2021

Year	Inclusionary Units	Units in 100% Affordable Projects	Affordable ADU's or Legalized Units	Total Affordable Units
2017	346	539	82	967
2018	397	255	137	789
2019	464	572	251	1,287
2020	486	52	177	715
2021	355	855	285	1,495
TOTAL	**2,048**	**2,273**	**932**	**5,253**

Figure 21: Table showing new affordable housing production by source over five-year period from 2017 to 2021 (from San Francisco Housing Inventory 2021).

In 2020, 'low' income units represented 56% of the new affordable units constructed while 'moderate' income units made up 44% of the new affordable units. Yet, this changed in 2021 when a third of the new units built (567) were for 'very-low' income households, which was well over a third of the total units added and the most units of any

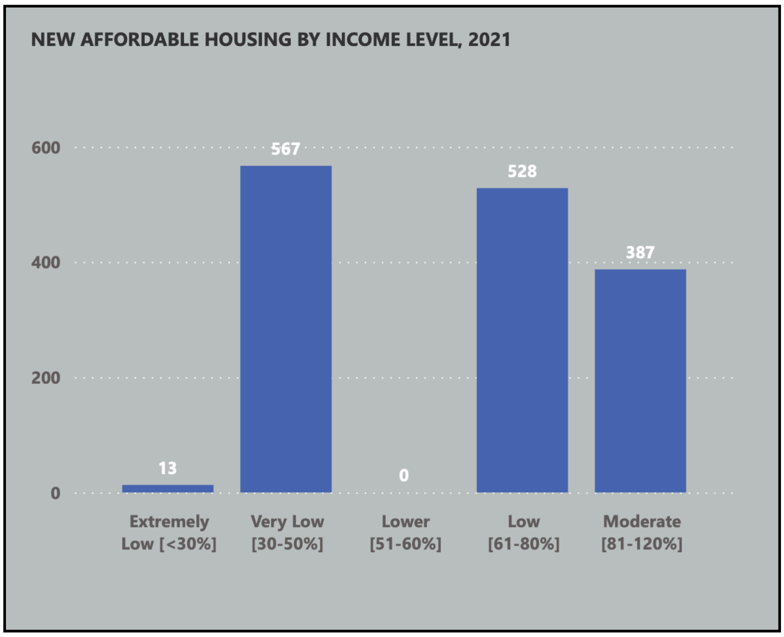


Figure 22: New affordable housing constructed by income in level in San Francisco in 2021 (from San Francisco Housing Inventory 2021).

affordable income bracket (Figure 22). This was followed by ‘low’ income at 528 units (35%) and moderate income with 387 units (25%).

The majority of affordable housing has been, and continues to be, built in San Francisco’s eastern Planning Districts, such as the South of Market, Mission, Western Addition, and South Bayshore (see Figure 23). Looking at the ten-year data (2012-2021) from the City’s Housing Balance Report (2022), the Planning District with the highest number of affordable units added was South of Market with 2,849, which represented 17% of the new net units produced in that District (16,595 total). This is likely because most new market-rate development has occurred in the South of Market, meaning the majority of inclusionary units are also located there.

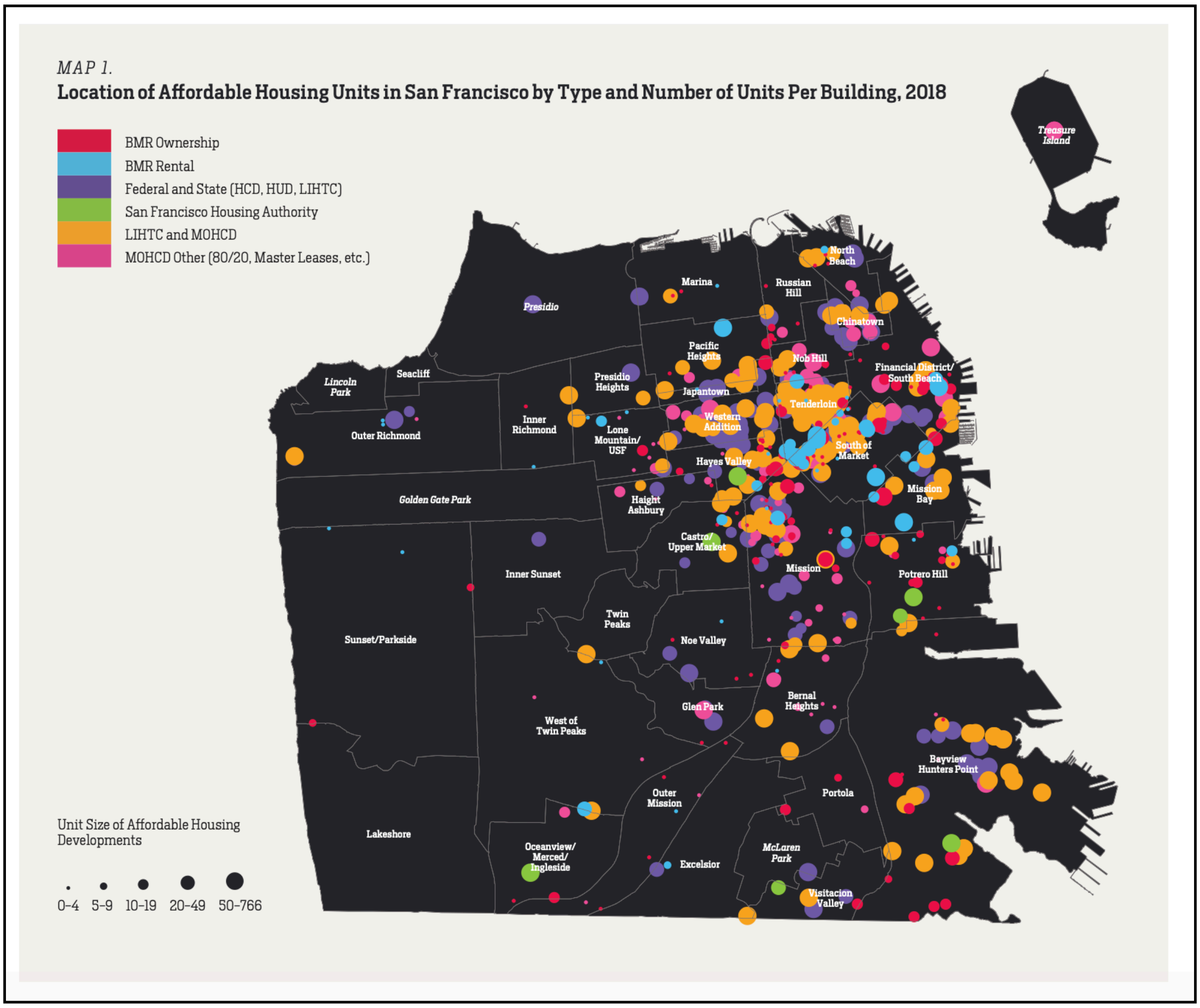


Figure 23: Map showing location of affordable housing units in San Francisco by type and number of units per building as of 2018 (from San Francisco Housing Affordability Strategies 2020).

The second highest number of affordable units built over the last ten years were located in Downtown, with 1,336 units, and the third was South Bayshore with 1,300 units. The South Bayshore Planning District also had the highest percentage of affordable units added in respect to its overall new net units at 76% (see Figure 24). In this period South of Market added the most units (1,059) for the 'very low-income' category, followed by South Bayshore with 854 units. The most 'low-income' units were also added in South of Market, as these 1,351 units are more than any other Planning District by far. The lowest number of affordable units added in the last ten years was in Bernal Heights (5 units), followed by the Marina (36 units) and the Outer Sunset (37 units). Overall, 8,472 of the 34,899 net new units added from 2012 to 2021 were affordable, which accounts for 24.3% (Figure 24).

Table 5
New Housing Production by Affordability, 2012 Q1—2021 Q4

Planning District	Extr. Low Income	Very Low Income	Low Income	Moderate Income	Middle Income	Total Affordable Units	Net New Units	Total Affordable Units as % of Net New Units
Bernal Heights	-	-	-	5	-	5	71	7%
Buena Vista	-	134	85	95	-	314	1,228	26%
Central	-	-	18	24	-	42	393	11%
Downtown	268	288	456	277	47	1,336	5,809	23%
Ingleside	-	70	29	36	-	135	585	23%
Inner Sunset	-	1	2	48	-	51	168	30%
Marina	-	-	-	36	-	36	446	8%
Mission	116	315	554	96	-	1,081	3,823	28%
Northeast	18	247	81	78	-	424	1,062	40%
Outer Sunset	-	2	2	33	-	37	180	21%
Presidio	-	-	-	-	-	-	-	N/A
Richmond	-	37	12	48	-	97	387	25%
South Bayshore	67	854	288	91	-	1,300	1,708	76%
South Central	-	173	48	48	-	269	489	55%
South of Market	29	1,059	1,351	410	-	2,849	16,595	17%
Treasure Island	-	-	-	-	-	-	-	N/A
Western Addition	-	197	159	140	-	496	1,955	25%
Totals	**498**	**3,377**	**3,085**	**1,465**	**47**	**8,472**	**34,899**	**24.3%**

Figure 24: Table showing affordable housing production by affordability level and by planning district from 2012 to 2021 (from San Francisco Housing Balance Report 2021).

4.3.3 Affordable Housing Rehabilitation and Acquisitions

The acquisition and/or rehabilitation of affordable units for 'low' and 'very low' income individuals typically involves non-profit housing organizations purchasing existing residential buildings via funding from the Mayor's Office of Housing and Community

Development (MOHCD) and the Office of Community Investment and Infrastructure (OCII) (Housing Inventory 2021: 39). Purchasing and rehabilitating older residential buildings or hotels is often much cheaper and faster than building entirely new units (ibid). This approach also allows for apartment buildings serving lower income renters to be removed from the speculative market and preserves existing affordable housing stock built in prior decades (Housing Affordability Strategies 2020a: 12). Many of the rehabbed units are in residential hotels, known as SROs (single room occupancy units), but some are also larger family apartments, converted commercial or industrial buildings, and homes for residential care providers (Housing Inventory 2021: 39). It is necessary to note that preserved affordable units are not included as part of the yearly new units reported in San Francisco's Housing Inventory as the Planning Department only counts newly created units and not preserved units (ibid).

Overall, MOHCD oversees an extensive portfolio of over 25,000 units in buildings it has funded as well as those formerly overseen by the San Francisco Housing Authority and former Redevelopment Agency (Housing Affordability Strategies 2020a: 45). MOHCD has several programs to create and preserve affordable housing in San Francisco. These include 100% affordable multifamily housing, HOPE SF, down payment assistance loans, Small Sites, Preservation and Seismic Safety, and the monitoring of inclusionary units. Over the last five years MOHCD and OCII reported the acquisition or rehabilitation of 758 units (Housing Inventory 2021: 39). In this period the highest number of units preserved was in 2020 with 405, while the lowest number was in 2021, with only four units preserved (Figure 25).

TABLE 27.
Units Acquired or Rehabilitated, 2017–2021

Year	Units Acquired /Rehabilitated
2017	119
2018	49
2019	181
2020	405
2021	4
TOTAL	**758**

Figure 25: Table showing units acquired or rehabilitated in San Francisco from 2017 to 2021 (from San Francisco Housing Inventory 2021).

The Small Sites Program (SSP), created in 2014, provides permanent financing to convert multifamily rental buildings serving 'low' and 'moderate' income renters with 5 to 25 units to permanently affordable housing. Since 2014 the City has preserved the affordability of 563 units across 53 properties through this program (Housing Inventory 2021: 39). In 2020, total development costs for SSP were approximately $497,000 per unit, but the City's local funding contribution was high at $339,000 per unit, or 80% of total development cost (Housing Affordability Strategies 2020a: 73).

In 2022 the cost per unit was revised to c. $450,000 in 2022 and the city's contribution went down to 68% with the remainder covered by loans.[23] Although there is no dedicated funding source for SSP, the City has used existing funding sources such as in-lieu fees, affordable housing bonds, and the Housing Trust Fund (Housing Affordability Strategies 2020b: 23). Funding from Proposition I, which passed in November of 2020, totalling $64 million was also earmarked for the Small Sites Program as budget supplemental by the Board of Supervisors in November of 2021, but the Mayor has indicated she will not spend these funds on the program, despite the 8-3 'veto-proof' vote (Schneider 2021: Redmond 2021). Since these funds are in the General Fund, rather than a dedicated fund, the Mayor has control over their ultimate direction during budget negotiations.

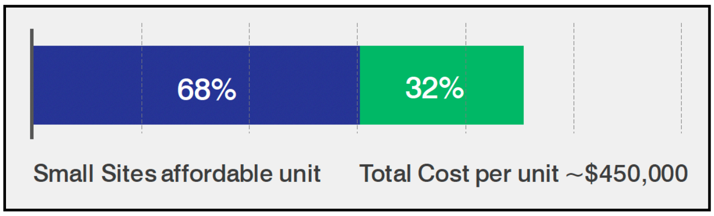


Figure 26: Cost breakdown of MOHCD 'Small Sites' affordable unit. Blue represents city funding, green resents funding acquired via loans (from BOS GAO May 19, 2022 Report).

The City's affordable housing is also preserved and rehabilitated through the Rental Assistance Demonstration (RAD) program and HOPE SF. Since 2016, a total of 3,443 units of public housing have been transferred to local developer teams for rehabilitation

[23] https://sfgov.legistar.com/View.ashx?M=F&ID=10905702&GUID=037E15BE-0136-4350-AEA7-717766EF1472

and long-term operation via the RAD program, which is sponsored by the federal government and the department of Housing and Urban Development (HUD). However, the last transfers to occur were in 2018 (Inventory 2021: 39). Combined, RAD and HOPE SF have allowed for over 4,000 units of public housing to be rehabilitated and transferred to nonprofit ownership in recent years. The remaining 1,500+ public housing units, located in Potrero and Sunnydale, will be rebuilt through the locally funded HOPE SF program or converted to the Section 8 platform.[24] The cost per unit is estimated to be $399,235 given the extensive nature of the work that needs to be carried out on these sites (Housing Affordability Strategies 2020b: 22). In addition, the current lack of federal funding for the maintenance of these sites makes their ongoing deterioration an additional challenge.

4.4. Funding Affordable Housing in San Francisco

Because affordable housing projects produce lower revenues due to lower rents and sale prices they need to be subsidized in various ways to offset the cost of development or rehabilitation. In San Francisco, this subsidization has primarily been funded by local, state, and federal sources. However, these sources have changed significantly over the past twenty years due to shifts in policy and priorities at different levels of government. Before 2012 the federal government and the San Francisco Redevelopment Agency (SFRA) financed the majority of affordable housing construction and preservation in the City. Prior to the dissolution of the SFRA, their Tax Increment Financing (TIF) had been the largest and most stable source of local funding for affordable housing development. From 2002 to 2011, the SFRA was responsible for funding 45% of the 12,083 units produced in this period, with a specific focus on family, senior, and supportive housing (see Figure 28, below). Since 2012 the City has been able to find a number of new funding schemes and sources for affordable housing construction, but none are as stable as the TIF funding

[24] https://onesanfrancisco.org/the-plan-2022/renewal-projects

previously provided. While San Francisco has been able to add 7,542 new affordable units from 2011 to 2020, this is significantly less than the 12,083 units produced in the prior decade and far short of the RHNA goals for the impending eight year cycle.

4.4.1 Funding Affordable Housing Before 2012: The SFRA

From 2002 until 2011 affordable housing in San Francisco was primarily produced by three sectors: (1) nonprofit housing developers funded in part by the San Francisco Redevelopment Agency (SFRA) and the Mayor's Office of Housing (MOH now MOHCD); (2) the San Francisco Housing Authority (SFHA); and (3) market-rate developers via the inclusionary housing program or the jobs-housing linkage program (BLA 2012).

As can be seen in Figure 27 (below), from FY 2002-2003 to FY 2010-2011 a total of $1.9 billion was spent on affordable housing in the city. Federal funding was the largest source of financing for affordable housing projects in San Francisco with the majority coming from Federal tax credits ($634 million), or Low-Income Housing Tax Credits (LIHTC). These credits are awarded to developers by the government through a

Table 2
City, State, and Federal Financing of the City's Affordable Housing Projects
FY 2002-03 to FY 2010-11

Source of Financing	**Total Financing FY 2002-03 through FY 2010-11**	**Percent of Total**
Tax Increment Revenues and Bond Proceeds	$460,130,116	24%
City Affordable Housing Fund	95,961,640	5%
Developer Contributions and Housing Income	73,371,353	4%
City Hotel Tax or Contributions in Lieu of Hotel Tax	47,623,208	2%
City General Fund	30,000,000	2%
City Proposition A Affordable Housing Bonds	18,053,081	1%
City and Local Sources	**725,139,398**	**38%**
State Propositions 46 and 1C Affordable Housing Bonds	286,129,994	15%
State Tax Credits	57,654,092	3%
California Department of Housing and Community Development	8,190,000	0%
California Housing Finance Agency	4,100,000	0%
State Sources	**356,074,086**	**19%**
Federal Tax Credits	634,609,090	33%
Federal CDBG, HOME, and HOPWA Grants	194,768,626	10%
Federal Sources	**829,377,716**	**43%**
Total City, State, and Local Sources	**$1,910,591,200**	**100%**

Source: MOH, SFRA, California Tax Credit Allocation Committee, California Department of Housing and Community Development

Figure 27: Table showing city, state and federal financing of affordable housing projects in San Francisco from 2002 to 2011 (from BLA 2012).

competitive process and are often sold to private investors to obtain funding. Once the projects are complete, investors can claim tax credits in annual allotments over a period of 10 years.

The second largest source of financing came from the City, with the majority of funds being generated by tax increment financing (TIF) revenues and bond proceeds ($460 million). Tax increment revenues typically come from the diversion of future property tax revenue increases within a redevelopment area and are used for the construction of publicly funded projects, such as affordable housing. As such, the San Fransisco Redevelopment Agency was responsible for generating the tax increment revenue seen in Figure 27. However, given the chequered past of the SFRA and many other redevelopment agencies in California, all such agencies in the state were dissolved at the end of 2011 by order of the California Supreme Court.

The elimination of the SFRA was indeed significant due to its effect on funding for affordable housing production in San Francisco. Up until 2012, Tax Increment Financing had been the largest and most stable source of local funding for affordable housing development. Although State law only required that 20% of tax increment funds needed to be allocated for the development of low and moderate income housing, the SFRA allocated approximately 40% of its tax increment funding annually - the highest of all California redevelopment agencies (BLA 2012: 61). Looking at Figure 28 (below), we can see that from FY 2002-03 to FY 2010-11 the SFRA was responsible for developing 3,966 units for ‘very low' income households, which was 42% of the total produced. As can be seen, the SFRA also financed 1,520 units of ‘low’ to ‘moderate’ income housing, which was 55% of that total. Of the 12,083 units produced in this period, the SFRA was responsible for 45% and had a specific focus on family, senior, and supportive housing.

Table 3
Development of Affordable Housing Units
FY 2002-03 through FY 2010-11

	Very Low Income (Less than 50% of Area Median Income)				Low to Moderate Income (50% to 120% of Area Median Income)				
	MOH	**SFRA**	**Non City**	**Total**	**MOH**	**SFRA**	**Non City**	**Total**	**Total**
Rental									
Senior	831	1,619	443	2,893	0	67	0	67	2,960
Supportive	944	1,105		2,049	50	191	0	241	2,290
Individuals	1,398	135	110	1,643	4	65	0	69	1,712
Family	669	1,102	969	2,740	95	399	0	494	3,234
Inclusionary	0	0	0	0	294	186	0	480	480
Total Rental	3,842	3,961	1,522	9,325	443	908	0	1,351	10,676
Ownership									
Inclusionary	0	0	0	0	756	50	0	806	806
Affordable	21	5	0	26	13	562	0	575	601
Total Ownership	21	5	0	26	769	612	0	1,381	1,407
Total	**3,863**	**3,966**	**1,522**	**9,351**	**1,212**	**1,520**	**0**	**2,732**	**12,083**

Source: MOH, SFRA, Tax Credit Allocation Committee

Figure 28: Table showing development of affordable housing units by agency from 2002 to 2011 (prior to the dissolution of SFRA) (from BLA 2012).

As public financing for affordable housing decreased overall from FY 2007-08 to FY 2010-11, the SFRA with its TIF revenues was able to increase its funding by 20% over this time to make up for some of the shortfall (see Figure 29). The dissolution of the SFRA in 2012 lost the City an average of $46 million a year in revenues as well as the ability to issue tax increment bonds from ‘Project Areas’ outside ‘Major Approved Development Projects’ that were transferred to SFRA's successor agency, the Office of Community Investment and Infrastructure (OCII) for completion. These ‘Major Approved Development Projects’ include the Mission Bay North and South Redevelopment Project Areas (Mission Bay), the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview

Table 5.2
Decreases in Public Financing of Affordable Housing Projects
FY 2007-08 through FY 2010-11

Source	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Increase/ (Decrease)	Percent Change
SFRA	$65,418,082	$100,098,920	$85,460,388	$78,497,983	$13,079,901	20%
MOH	39,961,430	41,142,126	25,751,876	26,535,780	(13,425,650)	(34%)
Tax Credits	104,096,184	53,039,298	87,876,690	56,535,030	(47,561,154)	(46%)
Total	**$209,475,696**	**$194,280,344**	**$199,088,954**	**$161,568,793**	**($47,906,903)**	**(23%)**

Source: MOH, SFRA, Tax Credit Allocation Committee

Figure 29: Table showing decrease in public funding for affordable housing projects in San Francisco from 2007 to 2011 (from BLA 2012).

Redevelopment Project Area (Shipyard/Candlestick Point), and the Transbay Redevelopment Project Area (Transbay).[25]

4.4.2 Funding Affordable Housing in San Francisco after 2012: New Approaches

The loss of SFRA funding forced the city to look for other methods to finance affordable housing projects, including the sale of General Obligation bonds (G.O. bonds), property taxes, hotel taxes, developer fees, and other local sources. In fact, since 2012, San Francisco has passed a number of key initiatives to increase resources for affordable housing production. These include (Housing Affordability Strategies 2020b: 8):[26]

- **2012:** Housing Trust Fund as a set-aside within the City's General Fund capped at $50 million per year for 30 years for a total of $1.2 billion (Proposition C)
- **2015:** $310 million affordable housing General Obligation (G.O.) bond (Proposition A)
- **2016:** Significant increase to the inclusionary obligations on market rate housing
- **2016:** Preservation and Seismic Safety Program, or PASS, repurposing of a $260 million bond for acquisition and conversion of housing to permanently affordable (Proposition C)
- **2018:** Gross receipts tax to fund housing and services for people experiencing homelessness - expected to create $300 million per year for supportive housing (Proposition C)
- **2019:** $600 million affordable housing G.O. bond (Proposition A)
- **2019:** Ordinance approved by Board of Supervisors allowing use of excess Education Revenue Augmentation Fund (ERAF) for affordable housing

[25] https://onesanfrancisco.org/the-plan-2022/enhancement-projects-production

[26] https://onesanfrancisco.org/the-plan-2022/sources

- **2020:** Health and Recovery G.O. Bond included $147 million for permanent supportive housing
- **2020:** Increase to transfer tax via Proposition I for properties valued over $10 million for the General Fund that is subject to annual appropriation (for FY 20-21, $10 million of supplemental appropriation was approved for affordable housing).

In addition to the sources above, San Francisco has several other routes to obtain funding for the production of affordable housing including fees, debt sale, state grants and loans, and federal sources. One such fee used by the city is the Jobs-Housing Linkage Fee, which applies to projects that increase commercial spaces by 25,000+ gross square feet. As of 2021, the Jobs-Housing Linkage Fee for office development was $72.04 per square foot for projects over 50,000 square feet and $64.83 for projects under 50,000 square feet.[27]

The Inclusionary Affordable Housing Program also has a fee component if the developer chooses not to provide the required amount of affordable units. While these allocations have changed over time, currently for a building with 10-24 rental units, 14.5% of the units 'on-site' need to be affordable, while for a building of 25+ rental units, 21.5% need to be affordable.[28] For an 'off-site' build, the percentages rise to 20% affordable for 10-24 units and 30% affordable for 25+ units. If these criteria are not met, developers must pay an in-lieu Affordable Housing Fee of $210.47 per applicable square foot.

From 2003 to 2019 the City collected over $440 million through in-lieu fees, and in 2020, a total of almost $15 million was collected as partial payments of in-lieu fees for projects.[29] Yet, from 2017 to 2021 inclusionary fees and impact fees have dwindled

[27] https://sfplanning.org/sites/default/files/documents/admin/Impact_Fee_Schedule_2021_notification.pdf

[28] https://sfplanning.org/sites/default/files/forms/Inclusionary_Affordable_Housing_Affidavit.pdf

[29] https://default.sfplanning.org/projects/community-stabilization/inclusionary-housing.htm

significantly, going from over $107 million to just $4.3 million per year in this five year span (Figure 30). Since these fees are tied to construction starts, they are not a reliable source of revenue, especially in construction downturns. For example, over half of the funds obtained in this period were derived from one year (2017).

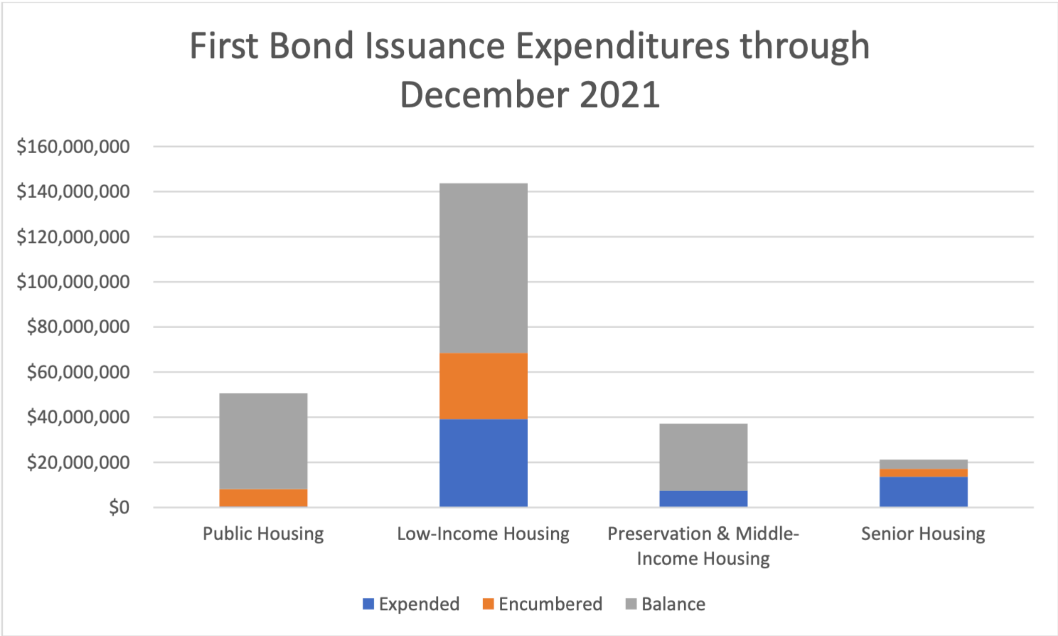
Year	Inclusionary & Impact Fees Collected	Other Contributions From Large Projects
2017	$107,299,676	Land dedications Offsite inclusionary Development Agreements
2018	$51,133,873	
2019	$30,922,187	
2020	$14,826,324	
2021	$4,379,076	
Total	**$ 208,561,136**	

Figure 30: Inclusionary and Impact fees collects by the city of San Francisco from 2017 to 2021 (from BOS GAO Report May 19, 2022).

As outlined above, the sale of debt has also been a frequently used method to obtain more funding for affordable housing. Most recently, San Francisco issued a $600 million G.O. bond for affordable housing production and preservation in 2019. The revenue produced form these debt sales was designed to fund several types of affordable housing including public housing, low-Income housing, affordable housing preservation, middle-Income housing, senior housing, and educator housing.[30] However, as of December 2021, less than half of the $252 million raised from the first issuance was expended or encumbered, and a balance of $151 million remained to be allocated (Figure 31, below).

In addition to G.O. bonds, the sale of Certificates of Participation (COPs) is another General Fund debt tool used to support the rehabilitation of San Francisco's public housing stock via HOPE SF. In addition, MOHCD's Preservation and Seismic Safety (PASS) Program also sells below market debt to fund acquisition and preservation projects, which reduces the need for direct capital subsidy. Finally, OCII, the successor to

30 https://cgoboc.sfgov.org/models/data/28Feb2022/docs/CGOBOC%202019%20Housing%20Bond%20Report%20123121.pdf



	Public Housing	*Low-Income Housing*	*Preservation & Middle-Income Housing*	*Senior Housing*	***TOTAL***
Expended	$463,019	$39,169,985	$7,459,922	$13,616,225	$ 60,709,152
Encumbered	$7,709,197	$29,315,397	$0	$3,527,610	$ 40,552,204
Balance	$42,447,783	$75,214,618	$29,640,078	$4,056,164	$ 151,358,644
Total	$50,620,000	$143,700,000	$37,100,000	$21,200,000	$ 252,620,000

*Does not include cost of issuance.

Figure 31: Graph showing first bond issuance expenditures from 2019 citywide affordable housing bond as of December 2021 (from CGOBOC Report 2021).

SFRA, has been allowed to continue tax increment financing (TIF) on the grandfathered Major Approved Development Projects mentioned above.

Incentive-based programs, such as density bonuses, are also used to increase funding for affordable housing. San Francisco has its own local density bonus program for mixed-income projects in specific geographic areas and zoning districts known as HOME SF. According to the San Francisco Planning Department, "[E]ligible projects that are exempted from density limits, may seek zoning modifications from a pre-determined list, and may be eligible for additional height. HOME SF projects must provide at least (1) between 20% and 30% of the units as affordable units for 'low' and 'moderate' income households, and (2) 40% of the units in the building with at least two-bedrooms." [31]

[31] https://sfplanning.org/home-sf

Other bonuses which have the potential to spur affordable housing development in San Francisco are provided by the State. These include both Analyzed and Individually Requested Density Bonuses which allow for a 35% density bonus depending on the amount of affordable housing provided and the level of affordability. According to the Planning Department's 2020 Housing Inventory, as of December 2020, 17 projects were in the pipeline for the HOME-SF Density Bonus Program while 60 projects were in the pipeline for the State Density Bonus Program. These density bonus projects propose adding 920 units (HOME SF) and 6,577 units (State Density Bonus) to the City's housing stock.

The State also provides assistance to San Francisco through grants and loans via the Affordable Housing Sustainable Communities (AHSC) program, the Multifamily Housing Program (MHP), and the Infill Infrastructure Grant Program (IIG). As these are state-wide programs funding is limited and awarded competitively, which often leads too minimal investments. For example, the maximum AHSC Program loan or grant award is $30 million for any project, and while San Francisco received the the IGG's maximum award for the Balboa Reservoir project, this totalled just $26 million.[32] Although the MHF provides favorable 55-year loans with a 3% interest rate for affordable housing production, only 30% of the funds available are earmarked for northern California as a whole.[33]

Over the last two decades federal funding for affordable housing, which includes Section 8, HOME, and CDBG (among others), has been flat or in decline (Housing Affordability Strategies 2020b: 5). Currently, Federal Housing Choice Vouchers (Section 8) subsidize the rent of 9,500 San Francisco households, but are limited by a lack of funding (Housing Affordability Strategies 2020b: 4). Other federal funding sources such as Private

---

[32] https://www.hcd.ca.gov/affordable-housing-and-sustainable-communities; https://www.hcd.ca.gov/infill-infrastructure-grant

[33] https://www.hcd.ca.gov/multifamily-housing

Activity Bonds (PAB) are also competitively awarded and subject to caps, which makes them less reliable year over year. However, one-time federal gifts from pandemic related stimulus packages, such as the American Rescue Plan Act (ARPA), have been a vicarious boon for San Francisco. In February 2022, the State awarded San Francisco $200 million in funding from the Housing Accelerator Fund which was seeded by $1.75 billion of ARPA funding.[34] In the coming year this money will be used to build over 400 units of affordable housing for families, formerly homeless individuals, public housing residents, and transitional aged youth in San Francisco.

Despite the decline in overall federal funding, the Low Income Housing Tax Credit (LIHTC) program, which is a federal incentive-based program responsible for funding the majority of affordable housing in the US, is still a major contributor to affordable housing production in the City. As can be seen in Figure 32, based on a review of recent projects that received tax credit funding and had entered into ground lease agreements with MOHCD, the total development cost for an affordable housing unit in San Francisco was estimated at $693,000 in 2019. While City funding accounted for 37% of the total required

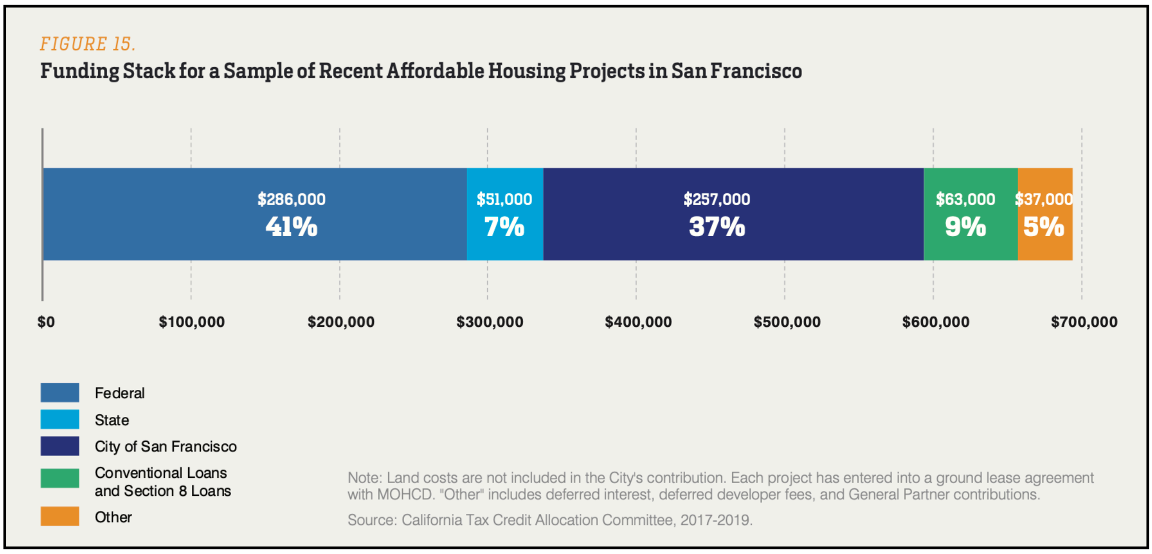


Figure 32: Funding stack for a sample of rent affordable housing projects in San Francisco that have entered into a ground lease agreement with MOHCD (from Housing and Affordability Strategies 2020).

[34] https://sfmayor.org/article/san-francisco-secures-over-200-million-state-funding-affordable-housing

($257,000), federal funding, primarily in the form of LIHTC, remained the largest source for such projects at 41%.

Also of note is the fact that the State is only currently contributing 7% of the funding for such projects. This is an area where funding could increase considerably given recent budget surpluses and stimuli provided by the federal government at the state level. Providing additional state funding to cities to help them meet state-mandated affordable housing allocations would certainly be practical use of these windfalls and one-time sources. Finally, as the Bay Area Housing Finance Authority (BAHFA)[35] gets off the ground in the coming year(s), securing additional funding at the regional level will also be necessary for San Francisco to have a chance of meeting its housing goals. Indeed, for San Francisco to meet its RHNA target of 5,825 affordable units per year, all of the existing contributions will need to be considerably augmented.

4.5 RHNA Allocations and Production in San Francisco

4.5.1 Examining Feasibility via the 5th and 6th Cycles: Progress and Projections

For the current, 5th RHNA cycle spanning 2015-2022, San Francisco was tasked with producing 28,869 units of housing. According to San Francisco's Housing Element Draft, at the of the end 2021, a total of 26,861 of the 28,869 RHNA allocated units had been authorized for construction; however, the vast majority of these (18,968 units) were market-rate units, representing 151% of the requirement for 'above moderate' income housing (Housing Element Update 2022a: 6) (see Figures 33 and 36). During the current cycle, housing production has lagged for 'very low' to 'moderate' income households (i.e. affordable housing) as the San Francisco has has only facilitated the construction of 42% of its allocation for 'very low income' groups (2,601 units) and 53% of its 'low income'

[35] https://mtc.ca.gov/about-mtc/authorities/bay-area-housing-financing-authority-bahfa

Figure 4.
San Francisco Regional Housing Needs Allocation Progress Summary, 2015-2021

Year	Very Low Income	Low Income	Moderate Income Deed Restricted	Moderate Income Non Deed Restricted*	Above Moderate	Total Net Units
2015	370	336	83	57	3,328	**4,174**
2016	427	81	103	143	1,976	**2,730**
2017	259	447	163	225	3,623	**4,717**
2018	411	452	72	352	3,631	**4,918**
2019	309	352	120	565	3,560	**4,906**
2020	577	439	126	291	1,762	**3,195**
2021	248	338	220	327	1,088	**2,221**
Total	**2,601**	**2,445**	**887**	**1,960**	**18,968**	**26,861**
2015-2023 RHNA targets	6,234	4,639		5,460	12,536	**28,869**
% of target produced	42%	53%		56%	151%	**93%**

*Includes units legalized under Ord. 43-14, and all ADUs.
Source: SF Planning, Authorized Permits

Figure 33: Progress summary for San Francisco's RHNA goals for the 5th cycle (2015-2022) as of 2021 (from San Francisco Housing Element Draft 2022).

allocation (2,445 units) (Housing Inventory 2021: 15; see also, Housing Element Update 2022a: 6; Figures 33 and 36).

Slightly more current data from the 2021 Housing Inventory, shows that in actuality 22,220 units of market-rate housing were completed in this timeframe, which is even more than the 18,826 units authorized (Figure 34). Although San Francisco has technically exceeded its RHNA requirements via competed units with 29,011 (of the required 28,869), those units authorized or completed that are in excess of the allocated amount for 'above moderate' income category are not counted towards the RHNA goals. As such, San Francisco currently has a RHNA deficit of 8,298 units, all of which are in the affordable categories. When looking at the data for completed affordable units this deficit is even higher at 9,542 units. As can be seen, San Francisco has struggled to produce half of its RHNA affordable housing goals for the current cycle, but has overproduced significantly in the market-rate category.

Household Affordability	Housing Goals	Authorized Units	Deficit	% Progress*	Completed Units
Above Moderate (> 120% AMI)	12,536	18,826	0	150%	22,220
Moderate Income (80–120% AMI)	5,460	2,847	2,613	52%	1,817
Low Income (50-80% AMI)	4,639	2,500	2,139	54%	2,317
Very Low Income (< 50% AMI)	6,234	2,688	3,546	43%	2,657
TOTALS	28,869	26,861	8,298	71%	29,011

Figure 34: Progress summary of San Francisco's RHNA goals over the 5th cycle (2015-2022) as of 2021 according to the San Francisco Planning Department's Housing Inventory 2021 (from San Francisco Housing Inventory 2021).

Looking to the the 6th cycle, on December 16, 2021, the ABAG Executive Board adopted the Final RHNA Plan for the San Francisco Bay Area. This plan will require the cities and counties of the Bay Area to add 441,176 new housing units between 2023 and 2030, which is 2.5 times higher than the previous cycle's allocation of 187,990 homes. The big jump in allocated units for the upcoming 6th RHNA cycle is due to several new and altered laws at the state level (see Section 1 and Section 5.4).

For the nine-county Bay Area, 25% of new homes must be for 'very low' income households, 15% for 'low' income, 17% for 'moderate' income, and 43% for 'above moderate' income.[36] Following the adoption of the regional plan, each local Bay Area government is required to update its Housing Element to demonstrate to HCD it can accommodate its allocated housing. In many cases, this will require cities to make changes to their

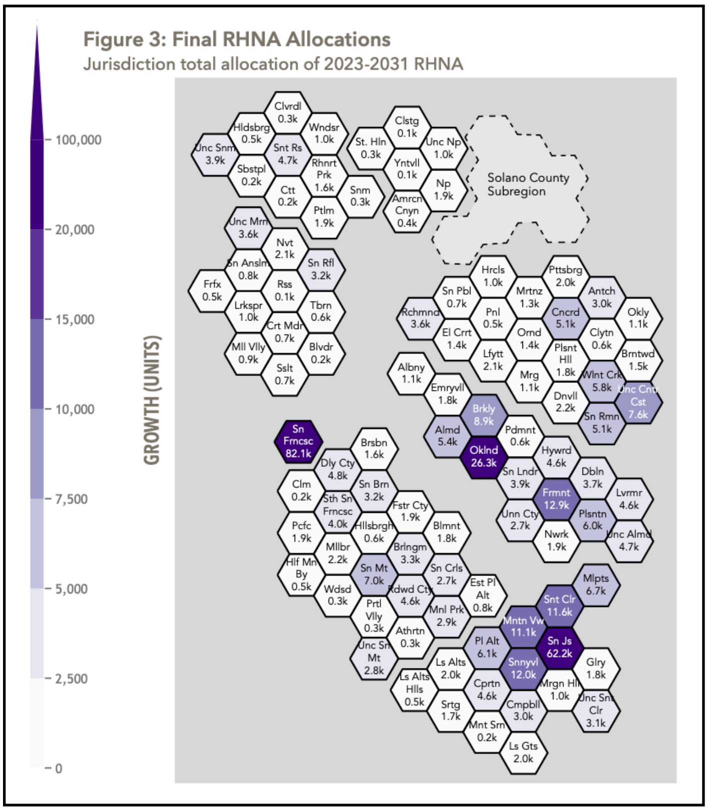


Figure 35: Map showing RHNA allocations fo the upcoming 6th cycle (2023-2030) (from MTC).

36 https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation

existing zoning laws to allow for the new mandated construction.

Over the 6th RHNA cycle (2023-2031) San Francisco has been allocated 82,069 units of housing to meet its mandated goals. This substantial increase is 53,200 more units than the allocation from the previous RHNA cycle. The 82,069 units required make up 18.6% of the total allocation for all nine Bay Area counties and represent the largest allocation for any city in the Bay Area, with San Jose second at 62,200 units allotted (see Figure 35, above). For perspective, over the last ten years a total of 34,899 units have been produced in San Francisco, and over the last twenty years there have been a total of 55,726 units added (Housing Inventory 2021: 19; Housing Balance Report 2021). This 20-year production total is 26,343 units less than the RHNA allocation for the next eight year cycle (2023-2030).

Of the 82,069 allocated units, 46,598 units will need to be affordable to 'very low' to 'moderate' income residents (Figure 36). The majority of these units will need to be for the 'very low' income category as 20,867 units have been assigned to this bracket. This is

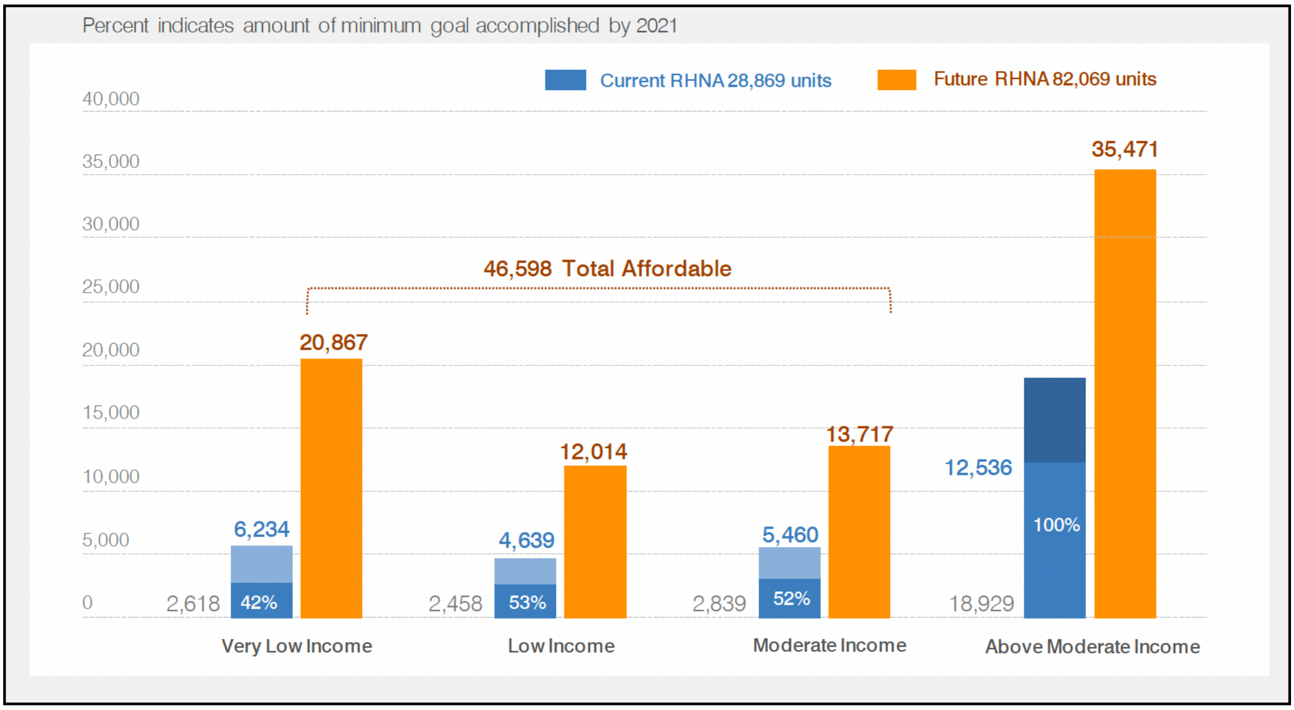


Figure 36: Graph illustrating progress towards San Francisco's RHNA goals for the 5th cycle (blue) compared to the allocations for the upcoming 6th cycle (orange) (from BOS GAO Report May19, 2022).

more than triple the previous cycle's allocation of 6,234 units (Figure 36). It is worth noting that as of 2021 only 2,618 units were completed for 'very low" income residents over the current cycle, which would represent only 12.5% of the goal for the 6th RHNA cycle. As new affordable housing production in San Francisco has averaged 847 units per year over the last ten years, at the current pace it will take the City about 55 years to reach its affordable housing allocations for the next eight year RHNA cycle.

4.5.2 Funding San Francisco's Affordable Housing Goals: Projections and Shortfalls

Finding the necessary funding to build the affordable units allocated by RHNA will also be a difficult task for the City. To begin, in March 2020 the San Francisco Planning Department published a Housing Affordability Strategies report designed to improve housing affordability over the next 30 years, especially for 'low' to 'moderate' income residents. In this report the Planning Department analyzed development feasibility, city policies, and public investments needed to achieve a housing target of 5,000 new housing units per year with at least one third (1,670 units) permanently affordable in addition to preserving another 1,100 units each year through rehabilitation and conversion (Figure 37). For perspective, these numbers represent about half of what is required for the 6th RHNA cycle (i.e. about 10,000 units per year).

Investment Type / Housing Type	Units
Private investment	
New market-rate units	3,330
New Inclusionary affordable units	640
City investment (includes OCII/ Redevelopment funding)	
New units in 100% Affordable buildings	1,030
Existing units become permanently affordable	400
Existing permanently affordable units rehabilitated	700

Figure 37: Investment breakdown of funding needed to achieve San Francisco's Housing Affordability Strategies' goals of 5,000 new units and 1,100 preserved units per year (from San Francisco Housing Affordability Strategies 2020).

As seen in Figure 37, to surpass the goal of 1,667 units the City would be responsible for paying for 1,030 new affordable units per year, while private development needs to account for 640 new inclusionary units. However, in 2020 the City was only able to produce a small fraction of the required units for 100% affordable buildings, with 52 units, and was only able to reach less than half of its target for preserved/rehabilitated units with 405 units. In 2021 these trends flipped as the City produced 855 units in 100% affordable buildings, close to its goal of 1,030 units, but only produced four units of preserved/rehabilitated housing of the 1,100 unit target. According to the Housing Affordability Strategies (2020a: 41) report, the City needed to spend over $517 million of public funds per year to meet its own affordable housing production and preservation targets (Figure 38). While San Francisco was almost able to achieve this lofty goal in 2019-2020 after a period of increasing investment in affordable housing, from 2006 to 2018 San Francisco fell far short of this goal (Housing Affordability Strategies 2020a: 41) (Figure 38). Although funding for 2022 and 2023 is estimated to be upwards of $300 million each year, after this point it is expected to drop significantly without additional sources (ibid).

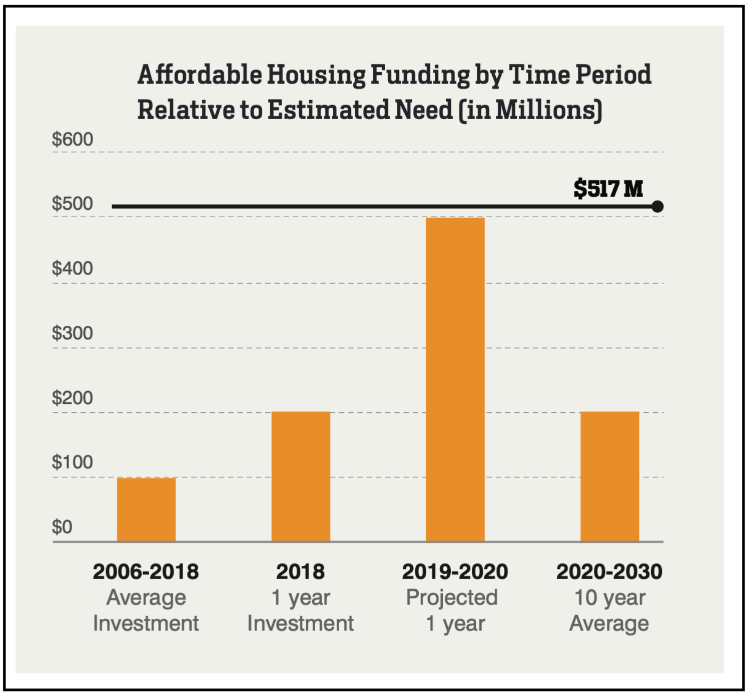


Figure 38: Graph showing affordable housing funding by time period in San Francisco relative to estimated need for production of 5,000 new affordable units and 1,100 preserved units (from San Francisco Housing Affordability Strategies 2020).

Looking at the new RHNA goals more specifically, according to San Francisco's ten-year Capital Plan which was updated in 2022, for the City to meet its projected production targets for 'very low', 'low' and 'moderate' income housing over the 2023-2031 RHNA cycle, it was estimated that approximately $7 billion would be needed, or $875 million per year.[37] In addition, the estimated cost to acquire and preserve 400 affordable units annually was set at approximately $1.9 billion through 2031.[38] However, in the Capital Plan, the total budget for affordable housing (both production and rehabilitation) over the next ten year period was set at $3.16 billion with a shortfall of $547 million predicted, meaning that the actual spend over this time would be $2.62 billion total - over $6 billion short of the estimated $8.9 billion that is needed to meet the RNHA allocations and the City's own preservation targets.[39]

Additionally, a new report provided to the San Francisco Board of Supervisors by the Planning Department in May 2022 has shown that these shortfalls are even larger than previously estimated.[40] In this report the local funding gap for affordable housing construction in the first year of the new RHNA cycle alone is estimated to be $1.3 billion (Figure 39). This gap is then predicted to increase each year until 2029 with a total

Figure 39: Graph showing estimated local funding gaps for the required affordable housing production in San Francisco for the 6th RHNA cycle (2023-2030) (from BOS GAO report May 19, 2022).

[37] https://onesanfrancisco.org/the-plan-2022/enhancement-projects-production

[38] https://onesanfrancisco.org/the-plan-2022/renewal-program-preservation

[39] https://onesanfrancisco.org/the-plan-2022/financial-summary

[40] https://sfgov.legistar.com/LegislationDetail.aspx?ID=5548608&GUID=2164CC59-4861-4729-BCE0-4F5939845CB7

predicted local shortfall of $14 billion over this seven year period (Figure 39). So, not only will San Francisco need to facilitate the construction of 46,598 affordable units in eight years, it will also need to spend over $19 billion to do it (see Redmond 2022a).

4.5.3 The Housing Element: RHNA Site Inventory and the Rezoning Program

Building the necessary housing to meet San Francisco's RHNA goals is made harder by the fact that sites identified for development do not often get built as planned. According to a recent study out of UCLA, in a sample of 97 California cities, sites included in the 2014 Housing Element inventory (for the 5th cycle) had, on average, around a 10% chance of being developed within the planning period (Kapur et al. 2021). This trend was also true for the nine-county Bay Area as a whole, where inventory sites had a 10% chance of getting developed over the period of study (ibid). In this same period about 70% of housing produced in San Francisco, and the greater Bay Area, was located on non-RHNA inventory sites (Kapur et al. 2021).

In San Francisco, the probability that a RHNA inventory site would be developed over the cycle was between 7.3% and 9.7%, depending on the dataset (see Figure 40).

Table B.4: **Comparison of results using main ABAG permits dataset to city-sourced permits data for San Francisco, San Jose, and Los Altos.**

	Results from ABAG + APR dataset				Results from city-sourced dataset			
	Units permitted 2015-2019	P(dev) over 8 years	Share of projects built on housing element sites	Share of units built on housing element sites	Units permitted 2015-2019	P(dev) over 8 years	Share of projects built on housing element sites	Share of units built on housing element sites
San Francisco	22,225	0.073	17%	29%	36,018[24]	0.097	15%	33%
San Jose	12,602	0.138	24%	35%	11,314	0.094	26%	32%
Los Altos	313	0.196	4%	4%	113	0.253	30%[25]	45%

Figure 40: Table comparing data from ABAG and city-sourced permits showing probability of development on Housing Element inventory sites from the 5th RHNA cycle. NB: San Francisco 'P(dev) over 8 years' and 'Share of units built on housing element sites' (from Kapur et al. 2021).

The share of actual units built on inventory sites in San Francisco was between 29-33% of all units built, meaning that 71-67% of the units constructed during the cycle were on non-inventory sites, on par with the rest of the Bay Area.

As the authors point out, the fact that most housing construction occurs on non housing element sites: "casts considerable doubt on a central premise of the RHNA/ Housing Element framework, namely, that the way to get cities to accommodate their fair share of regionally needed housing is to make them identify and zone specific sites which are 'good candidates' for development" (Kapur et al. 2021). Because the provision of an inventory of suitable sites to accommodate the RHNA allocations is an essential piece of the Housing Element that is used to judge feasibility of production goals, for the 6th cycle a 15% capacity buffer has been added to account for the lack of development on inventory sites (Housing Element Update 2022b: 6; Figure 41).

As discussed previously, the actual production totals are not the only data that is sent to the HCD. In addition, the Planning Department also reports entitled units, or those that have been permitted by the Planning Commission that are likely to be completed within the current RHNA cycle. These units are at various stages of construction and the Planning Department acknowledges that not all filed building permits will necessarily turn into constructed housing units since project plans and financing can change after a building permit is filed. However, to fulfil the RHNA requirements, the City needs to show the HCD that it has the capacity to authorize and build its allotted units.

Currently, the San Francisco Planning Department's Draft Sites Inventory estimates there is capacity for just under 72,000 units, which falls short of the target capacity (with the 15% buffer) by 22,500 units (Housing Element Update 2022b: 16). As can be seen in Figure 41 (below), the greatest shortfall is in sites for lower income brackets (i.e. 'low' and 'very low' income), while the production of market rate units is expected to exceed the allocated target. Looking at the hard target of 82,069 units, the City is projected to be

DRAFT Summary of Sites Inventory Analysis to Accommodate 2023-2030 RHNA	Lower Income*	Moderate Income	Above Moderate Income	Total Units
Total RHNA	32,881	13,717	35,471	82,069
Total RHNA with 15% Buffer	37,813	15,775	40,792	94,379
Development Pipeline Sites				
DAs/ Large Projects Entitled	5,496	1,941	18,246	25,683
DAs/ Large Projects Not Yet Entitled	1,718	272	3,220	5,209
Privately funded Developments (non-DAs)	1,278	845	11,220	13,342
100% Affordable Publicly Funded (non-DAs)	1,830			1,830
Affordable Preservation Rehab & Acquisitions	1,674			1,674
Non- Site Specific Means of Meeting RHNA				
SB 9		400	1,100	1,500
ADU estimate		1,800	200	2,000
Estimated Preservation Acquisitions	1,000	500		1,500
Underutilized and Vacant Sites				
Modeled Estimate of Units	1,138	1,1481	7,779	10,398
Sites meeting Low Income Criteria	8,688			8,688
Total Units All Sources	**22,820**	**7,239**	**41,764**	**71,824**
Deficit from RHNA with 15% Buffer	-14,993	-8,535	+973	-22,556

*Note: for the purposes of the sites inventory, sites to accommodate very low- and low-income units are assessed as part of a "lower income" category given shared sites requirements.

Figure 41: Draft summary of San Francisco's inventory sites for the 6th RHNA cycle. *NB:* Projected capacity deficits (**from Housing Element Draft 2022)**

short about 10,000 units for the lower income bracket and 6,500 for the moderate income bracket; however, San Francisco is expected to surpass its market-rate construction goals by about 6,300 units.

Because of the overall estimated shortfall, all indications are that the City will need to rezone to accommodate its RHNA targets. However, this expected Rezoning Program will not be submitted to the HCD as part of the Housing Element, but will instead be a later legislative action completed within three years of the Housing Element's adoption, per State requirements (Housing Element Update 2022b: 20). According to the City, this time is necessary "to perform community outreach, further analysis, and refinement of development controls to meet metrics" (Housing Element Update 2022b: 25).

The Rezoning Program is designed to supply the units that are currently lacking by providing more capacity to accommodate 22,000 additional units. To accomplish this, the Rezoning Program intends to remove long-standing density limits on the westside of the

City, and particularly in what is known as 'Well-resourced Neighborhoods', a geography defined by the State (Housing Element Update 2022a: 14; Figure 42 and Figure 43). The zoning changes in these neighborhoods will entail removing some or all density limits in certain Neighborhood Commercial districts and in all Residential Districts within 800 feet of transit corridors, as well as increasing density maximums in RH1, RH2, RH3, and RM1 zoned areas to four units in areas outside the 800-foot buffer (Housing Element Update 2022b: 14).

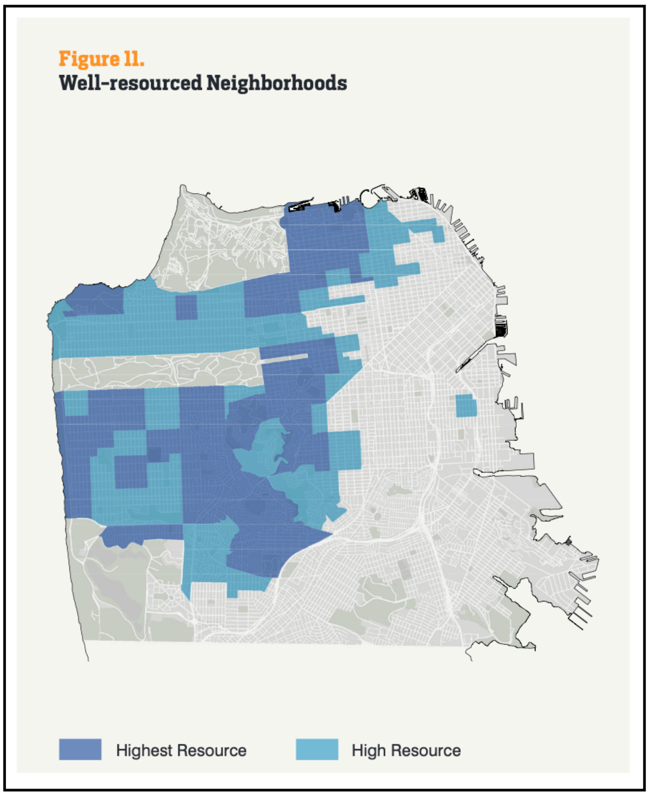


Figure 42: Map showing well resources areas in San Francisco (from Housing Element Draft 2022).

In addition, increased height limits of up to 55-85 feet along select transit corridors will also be considered and could be structured as a local density bonus (ibid; Figure 43). Finally, the City aims to build between 25% and 50% of its new permanently affordable housing within 'Well-resourced Neighborhoods' within the next two RHNA cycles (16 years). Although local rezoning legislation (e.g. Fourplex proposals and "Cars to Casas"), is currently under consideration by the Board of Supervisors, these pending proposed rezoning changes are not expected to provide enough units to impact the Site Inventory and Rezoning Program in a significant way, but are discussed in more detail below (see Section 5.4).

The Planning Department also acknowledges that rezoning alone will not facilitate the construction of new housing, especially in the affordable categories, since constraints such as high land value, high construction costs, permitting uncertainty, and community resistance also play important roles in limiting production. As such, the 2022 Housing Element also proposes changes to city regulations (Housing Element Update 2022b: 26-27). These include reducing the length of the city permitting process and streamlining the review of projects; supporting the use of cheaper construction materials; and creating a dedicated and consistent local funding stream in addition to advocating for state and federal funding to support the construction of permanently affordable housing.

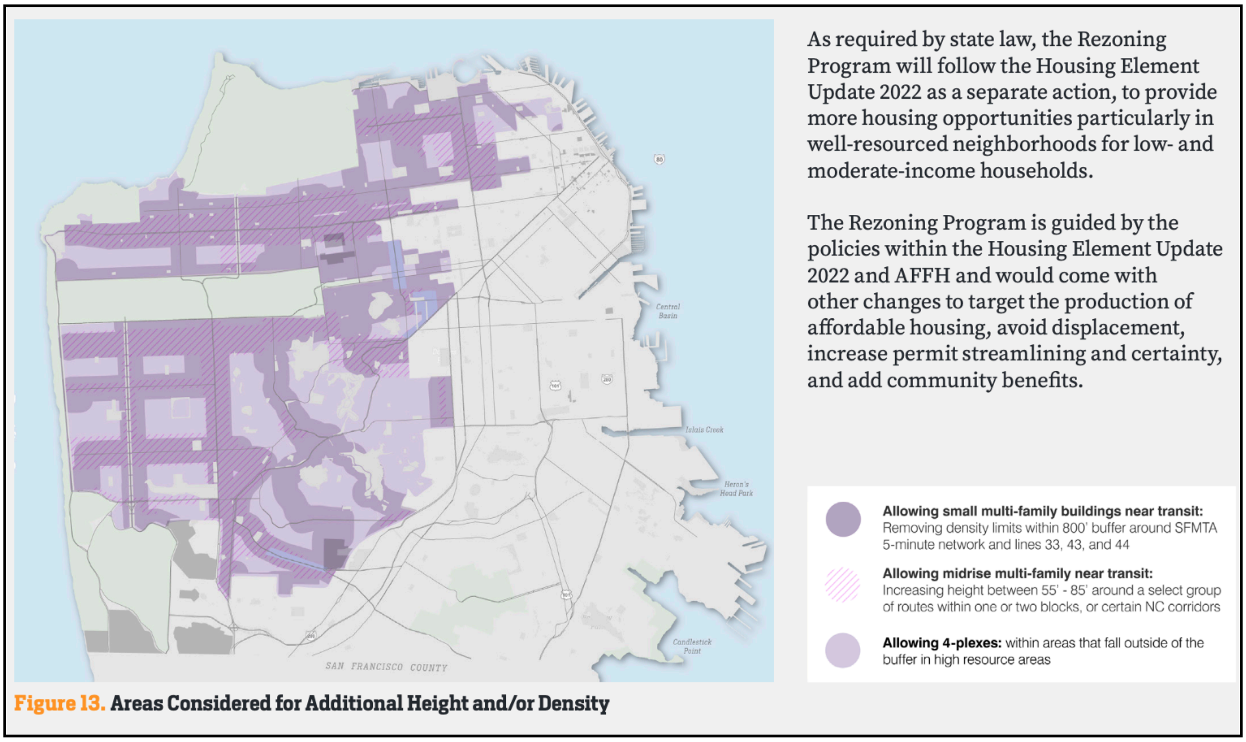


Figure 43: Maps showing areas in San Francisco considered for rezoning for additional height and/or density. Purple - removing density limits within 800 feet around SFMTA 5-minute network and lines 33, 43, and 44; hashed - increasing height between 55-85 feet around a select group of transit routes; light purple - allowing fourplexes within areas that fall outside of the buffers in high resource areas (from Housing Element Draft 2022).

5. Current Crises and Current Debates

5.1 Competing Voices in San Francisco Housing Politics

When it comes to housing politics in San Francisco there are three distinct groups, each with narratives that influence how the current housing crisis is understood and addressed. These are: the NIMBYs, the YIMBYs, and the Progressives. The concept of NIMBYism ("not in my back yard") dates back to an article by Frieden (1979), and was originally used by neighborhoods, especially homeowners, to block the siting of "locally undesirable but socially beneficial facilities" (Richman 2002: 223). Examples of these facilities could include homeless shelters, airports, prisons, and waste disposal sites (ibid). In San Francisco, the construction of affordable housing, or, in most cases, any type of housing, is also a concern for local NIMBYs. NIMBYs are typically homeowners with 'risk-adverse' and 'self-interested' mentalities that favor strict land use regulations due to their desire to protect their major asset - their home (Shively 2007: 257).

Research has shown that NIMBYs are "typically older, more highly educated, wealthier, more likely to organize and attend meetings, and very certain of their opposition to the proposed facility" (Shively 2007: 257). This has proved to be the case in San Francisco where neighborhood groups have become fluid in the planning system and understand how it can be used to delay or kill building projects. Because many NIMBYs are wealthier they tend to have more time and money to fight projects, forcing city planners to take notice and (at times) concede, even if they are often not representative of the population as a whole (Richman 2002; Shively 2007). While the NIMBY cohort will admit that adding housing during a housing crisis is needed, they do not want it near their 'backyard' and they will use a number of options to oppose projects they believe would negatively effect their property or neighborhood value in any way.

In direct opposition to the NIMBYs is the more recent YIMBY ("yes in my backyard") movement, which has gained traction in cites throughout the US over the last decade with early roots in New York and San Francisco (Beyer 2017). The YIMBY position is pro-density and their mantra in 'build, baby, build' (ibid). They argue that increasing the supply of housing will create more affordability and cause rents and housing prices to fall. YIMBYs also associate themselves with environmentalism, clean energy, and alternative transport and view housing production as a social justice and equity issue (McCormick 2017). While NIMBYs have been active at the local level by inserting themselves in the planning process, the YIMBYs have looked to the state legislature to effect change by backing bills that mandate rezoning and promote land use deregulation in an effort to circumvent local regulations.[41] Because YIMBYs are pro-development and pro-growth they have been criticized for their market-based solutions, which some say promote gentrification and are akin to 'trickle down economics' or libertarianism (McCormick 2017; Bronstein 2018). Regardless, the YIMBYs have been very successful at fund-raising and capturing the attention of the national news media, which has helped them gain political power and influence decisions at the state level (Bronstein 2018).

As San Francisco is also a well-known left-leaning, politically progressive city any movement that aligns with developers and is pro-capitalism is often met with resistance. According to the political scientist Richard Deleon (1992), the first priority of San Francisco's progressivism "is not revolution but protection - protection of the city's environment, architectural heritage, neighborhoods, diversity, and overall quality of life from the radical transformations of turbulent American capitalism". Fundamentally, the progressives believe in the preservation of neighborhoods, diversity, character, and particular ways of urban life. They stand in contrast to the YIMBYs that want to build it all and instead only want to build what is 'right' - i.e. affordable, non-gentrifying, aligned with

[41] e.g. https://yimbyaction.org/2021/; https://cayimby.org

neighborhood character and ideals. They are the old guard liberals, the empathetic and inclusionary - both preservationist and anti-capitalist despite the dichotomy this creates when it comes to housing.

The progressive movement is primarily concerned with how the addition of housing will affect the whole neighborhood and city, rather than just themselves. For example, some worry that anything but affordable housing will result in rising rents that bring displacement and gentrification (e.g. Redmond 2015). The progressives also have significant power at the local level in San Francisco City Hall, and while their guiding ideology does not align with that of the NIMBYs their preservationist approach has resulted in fewer housing projects receiving approval. Mayor London Breed and local YIMBY leaders have gone so far as to call the predominantly progressive Board of Supervisors 'obstructionists' and 'anti-housing' due to their recent decisions on housing projects, including developments at 469 Stevenson and 450 O'Farrell (Dineen 2021a and 2021b; Moench 2022a).

5.2 The Supply-side and the Supply Skeptics

Traditional economic theory would state that if demand is high and supply is limited, prices for a good will rise; however, if more supply is provided to meet this demand prices should fall. Yet, when it come to the housing market in San Francisco, the laws of supply and demand have been increasingly challenged over the last decade. As Calvin Welch (2013) states, "[o]f the City's 47 square miles, only 13 square miles are available for housing uses… And all 13 miles are developed and owned by somebody. There is no 'free land' in San Francisco." He goes on to argue that supply and demand does not function in San Francisco because there is no "competitive" market, as land owners possess all the "market power" since additional land cannot be produced in San Francisco due to its geographic constraints. While Welch's statements are largely true, they do not mean that more housing cannot be produced on the land that does exist. Housing supply does continue to increase in constrained markets as it has in San Francisco, albeit not in a way that has satisfied overall demand.

Because of this, some supply skeptics have argued that all new housing should be exclusively affordable (or at least 50% affordable) and that the addition of market-rate housing only serves to drive housing prices higher (e.g. Welch 2013; Redmond 2015; Durkin 2016). They argue that new market rate development only benefits that highest income earners and that this added supply will not make housing more affordable for lower income earners (see, e.g. Been et al. 2018; Redmond 2018; Rodriguez-Pose and Storper 2019). While this makes sense in theory, given the current affordability crisis that San Francisco and California are experiencing, this stance fails to account for the practicalities of affordable housing construction and the cost of further limiting overall supply.

First, the LIHTC program, which provides federal tax credits to private developers and investors for the construction of affordable housing is the largest source of affordable housing in the country and accounts for 41% of the recent funding for affordable housing projects in San Francisco that have a ground lease with MOHCD. Second, inclusionary units built by market-rate developers accounted for 39% of all new affordable units built from 2017 to 2021 (2,048 of 5,253 units) (Housing Inventory 2021: 37). Because of this, halting market-rate development in San Francisco would have significant adverse effects on affordable housing production that would need to be counteracted by a substantial influx of new city revenues, which, as has been shown, are severally lacking.

Although much more affordable housing is needed in San Francisco, in 2019 high-wage jobs were projected to increase by 14% by 2026 (the highest rate of all jobs categories) while low-wage jobs were projected to increase by 11% (BLA 2019). Indeed, from April 2021 to April 2022 the San Francisco-San Mateo metro area added 26,600 high wage jobs in professional, scientific, and technical services.[42] Failing to account for incoming high-wage workers will force the further cannabilization of the city's rent protected housing stock, as has been occurring. For example, in 2017 high-wage earners paid 16% of their salary for rent while low-wage earners paid 44% (see BLA 2019). According to the BLA, the reason for this was the ability of high-wage earners to avail themselves of rent controlled apartments.

Rent controlled units have also decreased in recent years going from about 190,000 in 2013 (Welch 2013) to roughly 175,000 in 2021 (Housing Balance Report 2021: 14). If no new market-rate housing stock is added this will create additional downward pressure on sub-markets, which has resulted in evictions and displacement in the past as landlords of lower-end, older units tend to force out lower income tenants for those willing to pay a higher rate (e.g. BLA 2013). While the addition of more market-rate housing may not directly translate to lower rents for low-wage earners, i.e. increased affordability, restricting market rate supply will cause home prices and rents to soar even higher in addition to putting heavy pressure on sub-markets where high-wage earners will always be able to outbid lower-wage earners (Somerville and Mayer 2003; Been et al. 2018). Finally, any displacement of lower income renters will also create further competition for new or existing affordable housing units, increasing demand that is already far from being met. For example, a recent BLA report (see BLA 2022b) shows that over 21,000 households applied to live in the 305 currently vacant inclusionary affordable units in San Francisco.

According to some scholars, the addition of new market-rate units should also promote the concept of 'filtering', whereby older, less expensive housing stock filters down to lower income households as high earners move on to the newly provided units (e.g. Arnott and Braid 1997; Rosenthal 2014; Weicher et al. 2016). While filtering has been

[42] https://www.labormarketinfo.edd.ca.gov/file/lfmonth/sanf$pds.pdf

shown to occur in the United States, it can take time. As research by Weicher, Eggers, and Moumen (2016) has shown, in 2013, of the 6.6 million non-subsidized, affordable units studied in the US, 45% had been either owner occupied or classed as high rent apartments in 1985. However, 19% of these 6.6. million affordable units were higher rent as recently as 2005 (Weicher et al. 2016). According to the American Housing Survey, from 2003 to 2013 filtering was responsible for producing more affordable rental units (renting at under $400 per month) in the US than new constructions or tenure conversions, and increased the number of overall affordable units by 11% (Joint Center for Housing Studies for Harvard 2015) (Figure 44).

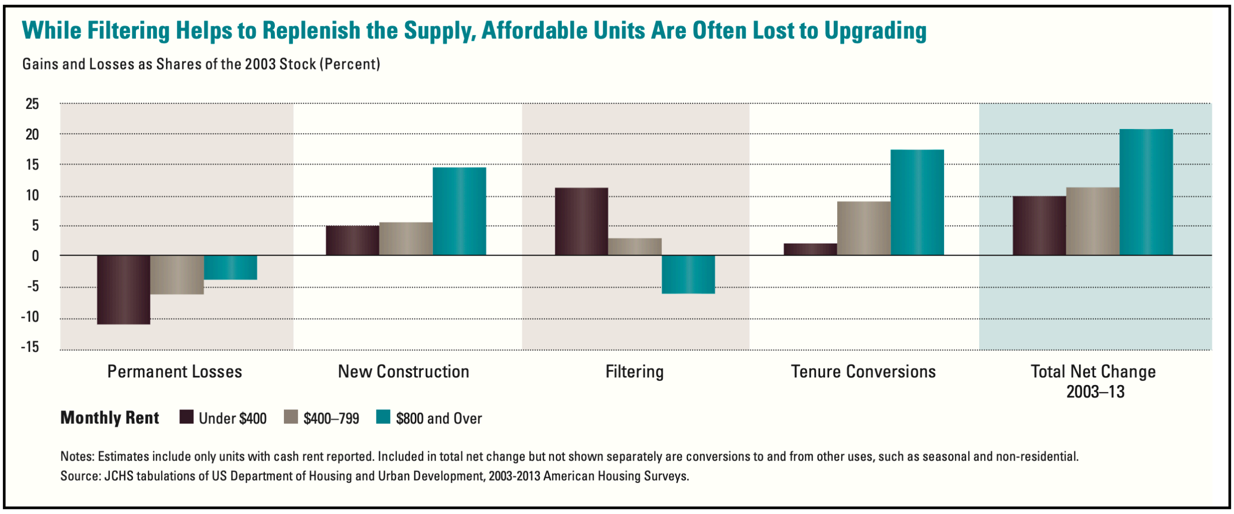


Figure 44: Graph showing gains and losses of affordable units in America from 2003 to 2013. *NB:* Gains from filtering (form Joint Center for Housing Studies for Harvard 2015).

Moreover, research by Somerville and Mayer (2003) on 38 metropolitan areas in the US found that in housing markets where supply is constrained, affordable housing units are more likely to ‘filter up’ and out of the affordable housing stock category as landlords are incentivized to upgrade their properties for entry into a higher submarket, causing permanent losses of affordable units. The authors conclude that restrictions on the supply of new units also lower the overall supply of affordable units. Looking at the Bay Area specifically, a report on displacement in low-income neighborhoods between 2000 and 2013 corroborates this conclusion, as it found that market rate housing production was associated with reduced displacement, irregardless of inclusionary housing practices in the Bay Area (Taylor 2016).

It is also feared that the addition of a market rate apartment building will bring about gentrification by raising rents, displacing residents, and ruining neighorhood character. While this is a fear that is shared by tenants in San Francisco and beyond (e.g. Finamore 2014: Atta-Mensah 2017; Hankinson 2017), it is also one that is difficult to prove empirically. Research by the Upjohn Institute (Asquith et al. 2019), a Michigan-based employment research firm, looked at the effects that the creation of new housing had on housing prices in large US cities and found that in most cases, rents within 250 meters of new buildings stayed flat or declined three years after a building's completion. This was also the case for the one building that was analyzed in San Francisco for this study.

Looking at San Francisco in more detail, a paper by Pennington (2021) examines the impacts of new construction on nearby rents, displacement, and gentrification from 2003 to 2017. Based on the data anlayzed for San Francisco, Pennington (2021: 23) found that rents and displacement actually fell near new market-rate projects, but that gentrification rose, especially with in 100 m of the new building. This means that as higher income earners moved into units vacated by lower income earners, those leaving did not move to lower income zip codes in the City. According to Pennington (2021: 17), the supply effect is larger than the demand effect, and she concludes that new market-rate buildings reduce rents within 100 m by $28.03 and reduce the risk of displacement by 17.14%.

These results corroborate research by Asquith, Mast, and Reed (2020) that focuses on the local effects of large new apartment buildings in low income areas throughout the US. According to the researchers, the addition of new buildings decreases rents in nearby units by about 6% relative to units slightly farther away, and increases in-migration from low-income areas, which also triggers filtering. They argue that because these new buildings absorbed many high-income households and increased the local housing stock overall they actually caused rents to fall in the two-block radius around the new buildings. Looking outside the US, studies in Finland and Singapore have shown that the addition of high-rise, multi-family developments have had ‘positive’ impacts on home values in their near vicinity (Ooi and Le 2013; Kurvinen and Vihola 2016). Yet it is worth noting that the authors of these papers were pro-development and pro-density, as rising property values were cited as a benefit to welcoming more residential density.

Although adding new market rate housing may not quickly or directly effect the rents of lower income households, adding supply does help alleviate the overall housing shortage. In sum, increasing overall housing supply has been shown to: take downward pressure off submarkets and prevent overall displacement; add more affordable units to the housing stock via inclusionary construction and in lieu fees; promote downward filtering of older units; and allow for affordable units to be preserved by preventing them from filtering up and out of affordable zones. That said, market rate housing development on its own will not and cannot solve the affordability crisis since this will take significant government investment and coordination at the local, regional, state, and federal level. However, limiting market rate construction will not create more affordability in any segment of the housing market either. Therefore, while building more market rate housing is necessary to meet continued demand and combat the overall housing shortage, it is not sufficient to solve the ongoing affordability crisis (see Manville et al. 2019).

5.3 Up-zoning, De-regulation, and Creating Density

One way to both allow for and encourage more housing construction is to mandate rezoning to increase density, also known as up-zoning. However, academics, elected officials, and activists are divided over whether up-zoning will actually produce the intended outcome. Proponents of up-zoning in San Francisco argue that it will allow for more housing of all types to be constructed and provide much needed supply that will increase affordability in addition to spreading residential buildings and affordable housing more equitably across the City. Opponents of up-zoning argue that it will create speculation and gentrification and erode affordability as market-rate units will be the dominant form of housing constructed. Both of these arguments contain logic and truth, which is why the issue of up-zoning is such a nuanced and hotly debated topic.

Today, San Francisco's strict zoning regulations, which date back to 1978, still prevent the city from growing vertically in neighborhoods where increased density is needed since two-thirds of the city is off-limits to construction of buildings with more than three units. These restrictive zoning regulations coupled with the arduous nature of the City's planning process make it more difficult for housing projects to get approved or built in a timely manner. Because San Francisco building permits are 'discretionary' rather than 'by-right' they must first be approved by the Planning Department. In other cities projects can get approved rather quickly if they match existing zoning restrictions, but in San Francisco the Planning Department must first review the project before giving the final 'discretionary' decision on whether it can move forward or not. Neighbors and neighborhood groups can also appeal a project for a variety of reasons and even invoke the California Environmental Quality Act (CEQA) to directly challenge a project on a wide base of potential environmental threats, including the building's shadow or potential to create gentrification or displacement. This appeal process can hold up housing projects for months or years and has been abused in the past by certain community groups and political factions to halt projects.

However, the issue of regulation is about more than warring neighborhood groups and political football since it produces significant economic outcomes. Numerous studies have shown that highly regulated housing markets correlate with increasing home prices. In a study of the San Francisco Bay Area, Kok et al. (2014) conclude that “cities that require a greater number of independent reviews to obtain a building permit or a zoning change have higher land prices… [and] that local land use regulations are closely linked to the value of houses sold”. Looking at California more broadly, a study by Jackson (2016) also found that for each additional land use regulation adopted by a city, permits fell 6% for multi-family homes and 3% for single-family homes. Finally, in a literature review on the subject, Gyourko and Molloy (2015: 42) conclude that “[t]he vast majority of studies have found that locations with more regulation have higher house prices and less construction.” In sum, multiple studies have shown that such regulations make housing more expensive to buy and harder to produce.

Given these findings, there has been a growing demand, especially among the YIMBYs, for de-regulation in San Francisco. This could take many forms, including the removal of certain planning restrictions to allow for ‘by-right’ development, limiting the power of the CEQA appeal process, and/or rezoning. Over the past several years the topic of rezoning and, specifically, up-zoning, has received considerable attention in both academia and the California/San Francisco housing scene due to its broader application and contentious nature.

One study that has been frequently discussed was undertaken by MIT doctoral candidate Yonah Freemark (2019a) and focuses on the outcomes of up-zoning certain parcels in Chicago, Illinois. This paper studies a series of up-zonings on individual parcels in Chicago, which occurred in 2013 and 2015 and were tracked over a five year period. These parcels were then compared to equivalent areas that were not rezoned to determine the effects of the policy. From this data, Freemark (2019a) found that the up-zoned properties saw significant increases in transaction price as well as an increase in existing condominium price; however, he did not see evidence of any new construction in the period of study. As such, Freemark (2019a) concluded that for his study "the short-term, local-level impacts of up-zoning are higher property prices but no additional new housing construction".

These findings were quickly championed by those against up-zoning to claim that 'higher density' would lead to higher housing prices. The study was also used as part of an effort to combat Sen. Weiner's SB 50, which sought to eliminate single family zoning in California in an attempt to increase density. However, Freemark (2019b), was quick to respond with an op-ed to remind that his study had no bearing on the impact of actual higher density since no construction was observed. He also points out that his study of Chicago focused on specific rezoned parcels (a spot study) and did not study the effects of blanket re-zoning as was proposed by SB 50. Finally, he reminds that the parcels that were up-zoned for denser residential use in Chicago were originally mixed-use and not previously zoned for single family homes.

Regardless of these differences, Freemark's study of Chicago brings up some concerning issues that are in need of further consideration. Importantly, the Chicago study shows that the short-term response to up-zoning was increased speculation on land and increased land value. This was not surprising, according to Freemark (2019b), since "the city gave landowners the ability to build more on it". Essentially, this up-zoning created a 'gap' between the parcel's current function and its potential function - and value.

In his book *Capital City: Gentrification and the Real Estate State,* Samuel Stein (2019) discusses the concept of the 'rent gap' and the 'value gap', which he says are exploited by real estate developers resulting in gentrification. According to Stein (2019: 49), "real estate speculators choose to invest in a particular location because they identify a gap between the rents that land currently offers and the potential future rents it might command if some action were taken". According to Stein (2019: 50), once several properties in a neighborhood reach their full rent potential, the ‘rent gap’ for other buildings in the area becomes more apparent.

The ‘value gap’ then appears when incomes generated from rentals become insignificant compared to the potential value of sale - when this occurs the potential for gentrification rises (Stein 2109: 50). Finally, Stein (2019: 52) states that the core of gentrification is primarily the process of “landlords and developers identify[ing] gaps and act[ing] to close them”. If this is accurate, the concept of up-zoning is worth further review as it has to power to instantly create rent and value gaps that could be exploited quickly, as was the case in the Chicago study.

Since land use in cities has been largely fiscalized - i.e. that decisions concerning land use are driven by fiscal outcomes - zoning has become more of an economic instrument than ever before. As such, up-zoning should be considered a market-based solution to the housing crisis that asks the private market to respond to a public need. However, the private market has consistently shown that it seeks the highest return on investment, which can lead to gentrification and displacement if guardrails (such as tenant protections and rental demolition moratoria) are not put in place (see Welch 2013; Finamore 2014; Section 5.6).

In another academic paper that was promoted by those opposed to zoning changes in San Francisco, Andres Rodriguez-Pose and Michael Storper (2019) argue against deregulation and rezoning and instead call for increased government intervention in the housing market in the form of public subsidies and social housing. Yet, it is worth noting that up-zoning and increasing government funding for affordable housing are not mutually exclusive. In this piece Rodriguez-Pose and Storper (2019) conclude that up-zoning will do little to make housing more affordable in cities like San Francisco or lead to domestic migration. They posit that, “aggregate supply policies do essentially nothing to abate the underlying structural causes of the housing crisis in prosperous metro areas that we have identified [which are]: high demand from highly-skill, high-income people; increasing income inequality; and a rise in construction and land costs" (Rodriguez-Pose and Storper 2019: 33).

Unfortunately, studies on up-zoning, land use regulation, and gentrification are still in their relative infancy and often produce varied results depending on their place and period of study as well as the nature of the data and methodologies used. While undertaking large-scale zoning changes at the state level could help produce more housing and increase overall affordability, its wider unintended short and long term effects remain unknown, which brings inherent risk. As Rodriguez-Pose and Storper (2019) point out, "[n]one of the extant models or simulations provide realistic estimates of how much new housing would result from up-zoning in prosperous regions, or the realistic geographical distributions of such new supply". However, as Manville, Lens, and Monkkonen (2019) argue in their response paper to Rodriguez-Pose and Storper (2019), San Francisco is in need of help, despite the risk rezoning may pose. As they say: "Surgery is risky; no one should do it if they are perfectly healthy. But most people don't consider surgery if nothing is wrong. They consider it when they are very sick. The consequences of *inaction* also matter" (their italics).

The unfortunate conundrum here is that a lack of housing supply places downward pressure on the market which leads to more displacement and a loss of affordable units. However, up-zoning, which can be used as a tool to increase housing supply, can lead to the same outcomes via neighborhood gentrification if some form of regulation is not in place - just like surgery can kill you if proper precautions are not taken.

5.4 Recent Rezoning Legislation in California

Despite the uncertainties surrounding up-zoning, it has been the preferred method that state lawmakers have sought to use to stimulate housing production in California. In particular, a group of state senators spear-headed by Sen. Scott Weiner (D-SF) has attempted to pass rezoning legislation since 2018 in the form of SB 827 and SB 50, which both failed. Under SB 827, California cities would have been required to permit residential buildings from 45 to 55 feet in height within a half-mile of a high-frequency transit stop, or within a quarter-mile of a bus or transit corridor; minimum parking requirements would have also been eliminated. This would have affected 96% of land in San Francisco given the city's existing transit corridors (Kurura 2018).

While SB 827 was backed by California YIMBY groups, it faced opposition from NIMBY neighborhood groups, local governments, and the social justice community (Kukura 2018). Given this blowback, Sen. Weiner amended the bill to allow cities to ban the demolition of rent-controlled housing, allow displaced tenants to have first choice on new development, and guarantee that developers have to pay all moving expenses and rent for displaced tenants (ibid). Regardless of these changes, the bill died in the Senate Transportation and Housing Committee in April of 2018 in a 6-4 vote (Kim 2018).

The next iteration of this bill was the more widely known and publicized SB 50, which required similar up-zoning near transit, fourplex zoning statewide, and additional rezoning in "jobs-rich" areas (Keeling 2019). Again, this bill would have pre-empted local government control of land zoning in an attempt to spur new housing construction. As before, this bill was criticized by local governments, social justice and anti-gentrification activists, and established homeowners. After several attempts to pass the bill it ultimately died on the state senate floor in January 2020. It is worth noting that both of these bills would have impacted San Francisco significantly, and it is likely that these bills were also indirect attempts to specifically increase housing in San Francisco given Weiner's experience as a former District Supervisor and his familiarity with the planning and appeals process as well as the slow pace of housing production.

Although these larger-scale zoning laws were ultimately unsuccessful, the refinement of the RHNA process via SB 828, which was also authored by Sen. Scott

Weiner and passed in 2018, is yet another way state legislators are seeking to force rezoning in cities like San Francisco. As has been discussed, this bill changed the methodology used to determine each region's housing allocation for the upcoming 6th RHNA cycle and forces California cities to re-zone land to account for homes not built due to under-production from prior RHNA cycles while also zoning more land for residential properties if a state audit shows there is a shortage in that community. Due to the increased accountability and enforcement inherent in the new RHNA process, if the San Francisco fails to produce a complaint Housing Element it could lose access to essential affordable housing funds as well as authority over its own zoning.[43]

In addition to these bills, lawmakers in Sacramento were also able to get several other bills signed into law by Governor Gavin Newsom in September of 2021 that allow for increased density state-wide. These were SB 9 and SB 10 and they went into effect in January 2022. The first, SB 9, allows for up to four homes (a duplex and two ADUs) to be built on parcels previously zoned for single family homes throughout California. Importantly, SB 9 requires that cities approve projects ministerially (i.e. 'by-right'), rather than via discretionary review, and exempts them from the CEQA appeal process. SB 9 also requires that homeowners who choose to develop their lots must live on one of the parcels for at least three years, in addition to containing other rules to discourage developers (Collins 2021). However, a study from the Terner Center at UC Berkeley found that it would only be financially feasible to undertake such projects on about 5% of the existing single-family parcels in California - or about 410,000 out of more than 7.5 million single-family lots.[44]

The second bill, SB 10, allows cities to opt-in to higher density zoning ordinances and permits up to ten residential units for projects located near transit rich areas and

---

[43] https://abag.ca.gov/sites/default/files/documents/2021-06/Consequences%20of%20Non-Compliance%20with%20Housing%20Laws.pdf

[44] https://ternercenter.berkeley.edu/wp-content/uploads/2021/07/SB-9-Brief-July-2021-Final.pdf

urban infill sites.[45] This bill, authored again by Sen. Weiner, essentially offers cities a choice to take on the up-zoning that SB 50 would have required, all while allowing SB 10 projects to bypass CEQA oversight. The overall goal is add more density to California's suburban neighborhoods that have historically been exclusionary for such land uses.

5.5 Pending Legislative Changes in San Francisco: Rezoning and Streamlining

San Francisco is also in the process of legislating its own local zoning changes, and there are currently several plans in play proposed by different city supervisors. The legislation that has the most traction was written by District 5 Supervisor Rafael Mandelman (co-sponsored by Matt Haney) proposes allowing any single-family home to be turned into a 'fourplex' while corner lots could be converted to have six units. This legislation passed unanimously at the San Francisco Planning Commission in November 2021; however, an amendment was added by the Commission and accepted by Sup. Mandelman that allows this legislation to circumvent the expedited review process mandated by SB 9 (Gardiner and Morris 2022). The Planning Commission's recommendation to up-zone all single-family lots in the city to allow duplexes would exempt it from SB 9 since that law only applies to single-family zoned parcels. By making all properties duplexes, San Francisco can negate the SB 9 mandate that requires ministerial rather than discretionary review. This would then allow for all projects to be subject to the CEQA appeal process and other discretionary reviews that would slow or halt many of the fourplex projects encouraged under the original legislation.

Mandelman's legislation came before the Board of Supervisors' Land Use Committee in March 2022 where it was discussed along with competing legislation authored by Supervisors Gordon Mar (District 4) and Asha Safai (District 11). Of these,

[45] https://www.gibsondunn.com/wp-content/uploads/2021/10/california-governor-newsom-signs-three-important-new-bills-into-law-impacting-residential-zoning-and-development.pdf

Supervisor Mar's fourplex proposal is the most relevant as it would offer a subsidy from the city for construction costs (of $229,000), require that new units include at least two bedrooms, and require that the units would be affordable to those making no more than 100% AMI (Redmond 2022b). His rules would also place these two-bedroom units under rent control at no more than $3,000 per month.

According to Mar, this would target the so-called 'missing middle' for which the city has consistently underperformed (Dineen 2021c). While this legislation could produce some needed units, expecting current single family home owners to pick up the slack and create affordable housing at a pace that has a noticeable impact on the shortage of this stock is probably wishful thinking. Although aspects of Mar's legislation will likely be added to Mandelman's proposal before it is brought before the full Board or put on the ballot in the next several months, as long as the duplex recommendation from the Planning Commission (which negates the effects of SB 9) remains intact, this legislation will be flawed. In fact, initial analysis by the Planning Department predicts that while this legislation will provide about 5,000 units over the next RHNA cycle, it will also eliminate the 1,500 units projected to be built via SB 9 (Housing Element Update 2022b: 12). If the duplex recommendation were removed, it would allow for a projected 6,500 units to be added to the Sites Inventory and counted towards RHNA goals.

While the pending fourplex proposals would primarily address zoning on the westside of the City, legislation proposed by Mayor Breed, known as 'Cars to Casas', could add some additional density in the rest of the city as well. This proposed legislation would eliminate density limits by lot size on parcels with "auto oriented uses," such as parking lots, garages, and auto repair, sales or rental shops. While the 'Cars to Casas' legislation would also allow for the construction of fourplexes, many of the parcels in question already overlap with density decontrolled zones and are not located in 'Well-resourced neighborhoods' (Housing Element Update 2022b: 25). Overall, the Planning

Department believes the effect of this legislation, if passed, would be minimal over the next RHNA cycle (ibid).

In addition, Mayor Breed has also proposed a charter amendment called ‘Affordable Homes Now’ that would streamline the approval process for certain types of residential development projects and go to the ballot in November 2022 (Dineen 2022b). The amendment is designed to circumvent the City’s discretionary reviews process, cutting several years off approval times, to streamline projects that are: 100% affordable; catering to teachers; or include 15% more below market rate units than is required under current city law (ibid). The Executive Director fo YIMBY Action, Laura Foote, has said that polling shows 60% support among voters and the amendment only requires a majority to pass (Dineen 2022b). Yet, Fernando Martí, Director of the CCHO, argued that most of the projects included are already streamlined via SB 35 and Proposition E (2019), and he reminded that many large-scale housing projects that include affordable units and have been entitled and approved are yet to be built. He asks whether the problem is with the approval process or, rather, with investors (ibid).

A group of San Francisco supervisors is also backing a competing proposed charter amendment to streamline affordable housing that was introduced by Supervisor Connie Chan in May 2022 known as the ‘Affordable Housing Production Act’. Chan’s proposal also waives discretionary review for the same three types of projects as Mayor Breed’s proposal, but requires that projects include at least 30% two-bedroom and 20% three-bedroom units (Moench 2022b). Chan’s proposal also requires an initial commitment of 36.5% affordable units, rather than an addition of 15% after approval, a number Todd David, Executive Director of the Housing Action Coalition (HAC), believes will make it impossible for developers to afford project construction costs (Moench 2022b). Another key difference between the proposals is Chan’s requirement for a “skilled and trained workforce”, which would consist of union labor, and for the mayor’s office to release an annual affordable housing report (ibid). According to Rudy Gonzalez, secretary treasury for the San Francisco Building and Construction Trades Council, there are currently 1,300 unemployed union laborers looking for jobs in San Francisco (Moench 2022b).

In addition, Chan's proposal keeps the standard definition for affordable housing projects at 120% AMI while Breed's proposal would allow streamlining for projects at 140% AMI if the Board of Supervisors were to change their definition of affordability in the future (Moench 2022b). If Chan can get the support of five of her colleagues on the Board her proposal will appear on the November ballot, while Breed needs 52,000 signatures for her measure to appear. Breed's proposal currently has 25,000 signatures (ibid). According to Chris Elmendorf, a UC Davis law professor, if both proposals reach the ballot it will create confusion for voters in November. He also believes that Chan's proposal will ultimately be infeasible for developers and result in very few projects being streamlined (Shanks 2022). However, as John Avalos of CCHO argues, market-rate developers should not be the only entities taking advantage of streamlining measures, and states that Chan's proposal has the power to create more affordability, especially via publicly funded projects (ibid).

5.6 Interview Insights

As discussed in the Methods section (Section 2), six individuals were interviewed for this project to gain greater insight on the overall housing crisis in San Francisco and the role the new RHNA process could play for affordable housing production. The data obtained from these interviews is broken down thematically below and pertinent thoughts and comments from each interviewee can be found in the individual themed sections. These are:

• Funding Affordable Housing Production and Preservation in San Francisco

• Zoning and Land Use Regulation in San Francisco

• Market-Rate Housing and the Real Estate Market

• The RHNA Process and Allocations

• The Role of the State

• One Word and Main Block

The six interviewees are as follows (see Section 2 for bios):

1. **Laura Foote** - Executive Director of YIMBY Action
2. **Sam Moss** - Executive Director of Mission Housing Development Corporation
3. **Todd David** - Executive Director of the Housing Action Coalition (HAC)
4. **Oz Erikson** - Principal/Chairman of the Emerald Fund
5. **Fernando Martí-** Co-Director of the Council of Community Housing Organizations (CCHO)
6. **Calvin Welch** - Author/Activist/Advisor/Professor

<u>Funding Affordable Housing Production and Preservation in San Francisco</u>

When it comes to the topic of funding affordable housing projects in San Francisco, **Laura Foote** notes that "subsidized affordable housing is vulnerable since there are lots of choke points". She says that it is easy to stall affordable housing projects with timelines and deadlines, which forces "projects to shrink the whole way through". Foote was also critical of the City's role, saying that "the city is not helping enough" and that their long RFP process forces non-profits to "beg for money" even after their proposal has been accepted, which is "not ideal". In addition to these issues, **Sam Moss** reminds that non-local funding sources have also dwindled over the last two decades as "HUD doesn't help anymore… and we killed redevelopment and lost a lot of affordable housing money".

While increasing the number of inclusionary units in new market-rate buildings has been used as a tactic by elected officials, **Oz Erickson** believes that "the idea that the cost [of producing affordable housing] can be put on market rate development is unrealistic". He says, "the cost of construction is the same for market rate and affordable, there is no difference really…out of pocket costs are similar and the finishing costs are small". Erickson also says that each unit costs about $850,000 to build. According to Erickson the big costs are the elevator and the structure as well as the raw materials and labor that "have to be paid for somewhere". He states that there is "confusion about where financing comes from, my financing comes from construction union pension funds, funded by blue collar workers, you hurt them by asking too much of developers".

Furthermore, **Erickson** says that "expected returns are universal and return is based on risk and pension liabilities. I have to hit certain benchmarks to get the financing; they will not invest unless the return is right since they have to protect themselves and the pensions". He goes on to say that "it's simple arithmetic - long division, the net operating income divided by the total cost equals the cap rate accepted by the institutional market… if you don't hit 5% you won't get the financing". Finally, Erickson believes it is "unrealistic to think any project can be overloaded with affordable units; for example, 25% affordable would be great, but we can't do it with current financing. If we can do 15% and you kill it because it's not 25% - is that better?". Erickson also mentioned that he would support another city-wide bond to raise money for affordable housing production and also suggested that the City could forgive real estate taxes on new projects for 15 years if they provide 20% affordable units, which could stimulate more construction.

Another approach to funding affordable housing, especially 100% affordable housing projects, is via public funding. According to **Fernando Martí,** "we will reach housing affordability via public investment'. He says that elected officials and the budget "play a role" and that the City needs to "pass progressive taxes and make good budget decisions". Martí believes that "income inequality and wealth inequality have driven the current affordability crisis", but that "wealth also provides revenue [via taxes] that needs to be harnessed". He believes that the City must preserve and build affordable units and act quickly to do so. He also recognizes the need to bring in stable investment over time and find consistent funding streams that are not "susceptible to ups and downs of business cycles", such as developer impact and linkage fees.

Martí thinks that the passage of Proposition C ('our city, our home') and Proposition I (real estate transfer tax) are in-line with this approach, but that these funds are quite spread out between new affordable housing construction, tenant subsidies, and the preservation of SROs, to name a few. Martí also knows that these funding sources are far from enough to meet the need, especially given the new RHNA goals, and states that "we have some buckets of money that add up to half or less of the need for affordable housing for RHNA, so we are short". Looking beyond the City, he believes that this is "an exciting moment for housing preservation" given the state level housing preservation funding available, but reminds that the federal government is still reticent to fund much needed public housing.

Ultimately, **Martí** believes that the Housing Stability Fund, created by Proposition I, can be a way to realize the City's affordable housing goals and that exploring social housing and limited equity housing co-ops can be a solid option moving forward. While he laments the fact that San Francisco cannot implement a local income tax or change the property tax structure due to state law, he says these taxes can "be replicated" and that "we can do more with the [tax] structures we have". Finally, Martí also proposes the creation of Infrastructure Finance Districts (IFDs), which use a form of tax increment financing to divert property taxes with the IFD to pay for public projects, such as housing.

According to **Calvin Welch**, to achieve true affordability “you have to remove the housing from the market to make it permanently affordable… there needs to be some kind of community ownership”. He says that BMRs, ADUs, and density bonuses are “market based solutions” that are “good for developers but don’t work well for residents” and that “these programs serve a higher earning population [that] should be served after people with greater housing needs”. He also remarks that the “idea that the problem is we don’t build enough housing isn’t right, it’s affordable housing that we don’t build enough of, not housing in general. This distinction isn’t really made in academia or politics”. To finance more affordable housing production Welch also suggests more taxes on the City’s highest earners, “we have a wealthy city and we can tax the wealthy sector and use those taxes to bring down the cost of housing, we know how to do that, it's not impossible”.

Zoning and Land Use Regulation in San Francisco

The topics of zoning, or rather rezoning/up-zoning, and the (de)regulation of land use have also become key issues in the debate around (affordable) housing production in San Francisco. According to **Laura Foote**, the core initial block to building affordable housing is the current low density zoning restrictions that exist in much of San Francisco. She believes that the zoning should be the same throughout the city and allow “a minimum of 100 units on each parcel”. She also thinks that new housing projects should be permitted ‘by-right’ rather than via the current discretionary review process. She reminds that current zoning in the City “replicated red-lining”, which is why it is different in certain neighborhoods, and that it upholds previous racist land use regulations. While she acknowledges up-zoning has the potential to create displacement, she believes tenant protections should be in place to prevent such outcomes. Foote also believes that previous studies on up-zoning that have focused on “spot up-zoning” have placed too much potential value on a few parcels and that the outcomes of “blanket up-zoning”, which she supports, would “diffuse the value” over a wider area.

Similar views were shared by **Sam Moss**, who is also supportive of up-zoning and eliminating the discretionary review process. According to Moss, “we need rules for the whole city and we need to stick to them - the rules should be the rules”. He also points out that if San Francisco’s Housing Element were to be non-complaint, a scenario he believes to be very possible, then market-rate developers would be able to circumvent the City’s current zoning laws and discretionary review process and build ‘by right’ if the building contains 20% affordable units - this is what is known as the ‘Builder’s Remedy’. Given the spotty track record of housing production in San Francisco, Moss believes that the state “knows we haven’t built so why would we this time? They know we won’t build so HCD won’t pass us, things like [469] Stevenson will factor in”.

Todd David also believes that the City’s current zoning and permitting process is holding back the construction of new housing, both affordable and market-rate. He recommends adopting a streamlined approval process for housing projects that are complaint, and says approvals can sometimes take four to five years. He also says that allowing multi-family housing on the west side of there City is key and that we need to “eliminate single family zoning in San Francisco as its history is rife with racism and exclusion - it doesn’t belong on our maps anymore”. In David’s opinion, “every lot should be zoned for four to six units at a minimum - that would be a good first step”. David also acknowledges that up-zoning could cause displacement and recommends the institution of tenant protections if demotions occur. These would include temporary housing, moving expenses, and a right to return to the unit at the same rent. As stated by David, “I see a win-win path - we can add housing and not displace tenants”.

Another supporter of up-zoning was **Oz Erickson**, who believes the “best solution is to increase height and density along transport corridors such as Van Ness and Geary… these should go to 80 feet and have unlimited density… we could add tens of thousands of units over time”. Erickson also says that increased density should not be feared by homeowners, and cites the Marina and Pacific Heights as examples of neighborhoods with mixed densities that have high home values. He says that “more density is good for housing and it won’t change the quality of life”.

However, **Fernando Martí** was slightly more tepid in his views on rezoning and deregulation. According to Martí, deregulation could be considered a “false solution”. While he believes “zoning is a tool to get to affordability, just like public investment” he says “when officials talk about changing zoning they are really talking about changing the value of land by changing the law”. As stated by Martí, “zoning sets the value of land - if you can build more you can make more”. While he acknowledges that rezoning could be used to create more affordability he also asks, “are we getting a greater public benefit by changing these laws? That should be the focus - on what can be achieved with these changes, how does it get us closer to affordability?”.

Similar views are held by **Calvin Welch** who believes that “deregulation doesn’t work well” and that “all policies are local and all effective land use and housing programs are local”. Welch goes on to say that “for us to get the type of housing we need, it needs to be done at the local level via elected officials”. Welch also shared a pertinent story about up-zoning when recounting how Jeremy Ets-Hokin, the former owner of Playland by the beach, told the San Francisco Planning Commission in the 1970s that “you can zone an area to be a gold mine, but it doesn’t mean you are going to find gold”.

Market Rate Housing and the Real Estate Market

The role of market-rate housing and the overall real estate market have also been hotly debated by diverse factions within San Francisco housing politics. For example, **Sam Moss** states that “San Francisco hates market-rate housing more than it likes affordable housing”. On the other hand, he says the State does not believe market-rate housing is “the devil”. Indeed, much of the YIMBY narrative relies on the concept that an increase in market rate housing, which provides more housing overall, will help alleviate the housing shortage and promote filtering that will ultimately lead to more affordability. This sentiment is echoed by developer **Oz Erickson**, who says that “when you increase market-rate housing you stabilize rents”, and that stabilizing or lowering rents should “be the goal of any city leader”. Erickson also remarks that “each time we build it's 5.57% on real estate taxes to the City, which is extra revenue for them, so the City would be losing lots of money if they were to stop market rate production”.

Yet **Calvin Welch** questions whether or not developers will continue to build market-rate housing if their overall profits begin to shrink. He argues that allowing developers to build ‘by right’ does not mean they will actually do so since “part of that dynamic is holding back development until the time is right… since they don’t want the price to fall”. Welch goes on to say that, “the academic left has been won over by YIMBYism and the belief that if we build more it will all cost less - but this ignores the financialization of housing and the fact that the market isn’t about producing cheap housing, if it ever was”. He believes that “housing is no longer about shelter” and is instead intertwined with the stock market and investment opportunities and that these facts cannot be ignored.

Welch goes on to say that “trickle down housing policies do not work for low income city dwellers” and states that “if increased density automatically lowered housing costs, San Francisco and New York wouldn't be expensive, but they are the most expensive… density is not the automatic answer to affordability, the densest cities in the US have the highest housing costs and they continue to rise". When discussing the real estate industry overall, Welch calls it the "sugar coated poison of this country" and says that it "catches really clever people in its clutches". He says that political parties, academics, and elected officials do not seem to understand this, but the that "the people who get it are in the community", and that they will ultimately provide the solutions to the current crisis if anyone can.

<u>The RHNA Process and Allocations</u>

Looking at the overall RHNA process and the new allocations for San Francisco, **Laura Foote** says she is a "fan of the process, despite its messiness". She believes that it is feasible for San Francisco to meet its RHNA allocations over the next cycle, if San Francisco is dedicated to achieving these goals. Foote says that "San Francisco has one of the worst permitting processes in the US" and this combined with its current zoning laws has made it difficult for developers to build. Foote also thinks that the HCD will be "skeptical" of San Francisco's Housing Element once submitted given that the "likelihood of development in San Francisco is an issue", since projects like 469 Stevenson were ultimately stopped by the Board of Supervisors. She says that it will be up to the Board of Supervisors to vote to adopt the changes prescribed by the Housing Element, and if they do not do this there is strong possibility that the Housing Element will be rejected by the State.

Sam Moss echoes the thoughts of Foote, stating that "the Housing Element is going to be an issue" and that it may not be approved. He also believes San Francisco can reach its lofty RHNA goals, but that the City will need help from the State to do so. In Moss' opinion, "there is a ton of land to build on, but the City won't do it". He also reminds that SB 35 and SB 828 “rewrote the Housing Element”, and that the state Attorney General Rob Bonta now has the power to sue cities for not taking the necessary steps to meet their mandated goals. Overall, Moss said he is “excited” by the prospect of the City’s Housing Element being rejected, as this would trigger the “Builder’s Remedy”, which he says would allow for ‘by-right’ construction of any housing project anywhere in the City as long at it contains 20% affordable units.

When discussing the feasibility of achieving the RHNA goals for the next cycle, **Todd David** was less bullish. He believes that San Francisco will not be able to meet its RHNA goals as the City has consistently struggled to do so in the past. He says the “Housing Element process will be fascinating” to watch play out at the Board of Supervisors and believes that the State will push back if the Housing Element submitted is not “straightforward”. Again, he says that rezoning the westside and passing streamlining legislation are both essential for San Francisco to come close to meeting its RHNA goals and worries that if rezoning occurs without streamlining many projects will not actually be built.

When discussing the feasibility of San Francisco meeting is new RHNA allocations **Oz Erickson** says it will be “impossible” to reach these goals over the next cycle. He reminds that the most units that have ever been built in San Francisco in one year is 5,000 and that “the average amount of units built per year over the last 20 years was 2,500”. He estimates that the cost to build the required affordable units will be $20 billion and that the new goals will be “impossible to meet without this money”. He asks, “where is $20 billion coming from to build 100% affordable housing without extra tax revenues?”.

Fernando Martí had a similar response when asked if these new goals were reachable. He ask, “has the City ever built at that scale? Have investors ever invested at that scale?”. Just like Erickson, he also states that “the City has only built 5,000 units in a few years - in the early 1960s during urban renewal and during the more recent high tech boom in 2015-16”. He points out that “historically, San Francisco has managed to build half of its affordable housing goals, but now this will be about 1/6 with the huge increase”. Martí also believes that there is a “disconnect between the goals and the funding available - both for affordable and market rate housing” and questions how the City will be able to get the hefty investment needed.

Calvin Welch also shared some strong opinions on the subject. When asked whether the City could meet its new RHNA goals Welch replied “who says we need 80,000 units? We have 50,000 units approved but not built. Does the market hold back approved units? Do they not wait to build housing?”. Welch says that “these policies don’t require the developer to build the unit in a reasonable amount of time” and that “you can’t force market rate developers to build because they won’t, due to the capitalist system”. When it comes to the RHNA requirements affordable housing Welch says that these “should be mandatory” and that “if you are taking a subsidy from the government then there needs to be timeline on completion”. Ultimately, Welch sees the RHNA requirements as a “trickle down” solution and part of what he calls a “real estate hustle”.

<u>The Role of the State</u>

As the State of California has been given increasing power over local housing decisions via the new RHNA process, the level and type of state intervention or assistance needed is also an important topic of discussion. According to **Laura Foote**, the role of the State can “be bigger” when it comes to providing both funding and punishments. She says that “San Francisco can no longer ignore state law - that isn’t an available path anymore”. She thinks that punishments from the State need to be effective when a city pushes back against RHNA goals, and the Attorney General should step in and sue when appropriate. Foote also believes that the State could give more money to cities for housing as the need is so high and laments that San Francisco could lose its state funding for affordable housing if its Housing Element is non-compliant, “its not really fair, the Board of Supervisors deserves the blame, not the whole city”.

Sam Moss also thinks that the State needs to provide more financial help for San Francisco to meet its RHNA affordable housing allocations. He says “we have $3-5 billion coming from the State for affordable housing, but they need to provide way more”. He also suggests “turning California Section 8 back on” since once builders are able to get direct deposit subsidies from the government they are able to get the necessary loans to build.

When discussing the issue of state intervention and assistance, **Todd David** thinks the State should be “both the carrot and the stick”. As the State has an interest in seeing cities produce housing they also have a role in helping them do so, he says. However, he remarks that “San Francisco has had local control of its housing for 100 years, and the State is only intervening now in the last couple of years. Have the outcomes for housing been good over the last 100 years? Is housing diverse and affordable?”. David believes that the answer to these questions is “no”, and goes on to state that “one can objectively say that if you are lower or middle income in San Francisco the housing market has not worked out for you”. David then suggests trying a “different strategy” because the current approach “hasn’t worked”. He believes that San Francisco would have never planned for this amount of housing if the State did not mandate it and thinks the State should push more changes on the City that include streamlining and zoning reform. David also suggests that the State use this year’s budget surplus to help fund affordable housing production in places like San Francisco. He says, right now, the best approach the State can take is to let “San Francisco work it out locally and provide money to help, but if you’re not making progress we will step in. It's going this way so far, more or less, and it feels appropriate to me”.

Fernando Martí also supports state intervention in certain situations. He asks, “are cities refusing to build or do they not have sufficient resources?” He believes that if cities are refusing to approve or build affordable housing then state intervention is needed to force them to integrate this housing “because they are segregating”. Martí also brings up the subject of “soft markets”, which have land zoned for multi-family housing, but are too far away from urban centers and therefore do not command investment. He says there is a “broader red-lining that occurs by investors for hot markets” and wonders if the state can use its power to make investors move into these ‘soft’ zones via transport incentives, but cautions that a local understanding of housing and land use is also needed.

<u>One Word and Main Block</u>

Finally, each interviewee was asked to describe the current housing crisis in one word and provide what they believed were the main blocks for building affordable housing in San Francisco. Their individual responses are listed below.

Laura Foote:

- One word: Shortage
- Main block: Low density zoning

Sam Moss:

- One word: Self-inflicted
- Main block: Discretionary permits and money/funding

Todd David:

- One word: Under-supply
- Main block: Four things: zoning reform; streamlining approval process; lack of funding; political will

Oz Erickson:

- One word: Unrealistic
- Main block: Obtaining the necessary funding

Fernando Martí:

- One word: Un-affordability
- Main block: Lack of funding

Calvin Welch:

- One Word: Affordability
- Main block: Lack of funding

As can be seen here, five out of the six participants cited funding as a key block for the construction of affordable housing in San Francisco. With massive funding shortfalls predicted for the construction of affordable housing over the next RHNA cycle, this block is seemingly one that will continue to be in place unless new funding and revenue stream and strategies are advanced at the local, regional, and state level.

6. Conclusions

San Francisco has a long and complicated history concerning housing and zoning, and many of the city's current housing issues have deeper, historic roots. The current housing shortage and affordability crisis can be traced back to policy decisions made over the past century that have limited the overall housing supply and the ability to build more. While the demolition of older, affordable housing stock via redevelopment and urban renewal took thousands of units offline forever, the expansion of office space for the creation of a 'corporate headquarters' put the city in an even deeper housing hole. The adoption of discretionary reviews by the Planning Department along with the CEQA appeal process that began to be used (and abused) to block the development of housing projects, especially for low-income households, has contributed to less housing being built overall.

The City's residential zoning, passed in 1978, made it illegal to build apartment buildings in two-thirds of the city and severely limited its capacity for growth, all while preserving predominantly upper class, single family home communities. This occurred as large amounts of people were beginning to move back into cities around America in greater numbers during the so-called 'great inversion'. This caused demand for housing at all income levels to rise dramatically due to undersupply. While there were a number of factors that contributed to the current housing and affordability crises, San Francisco's city government, whether knowingly or unknowingly, has also hastened and perpetuated it in various ways.

Over the past four decades the City has done little to change its cumbersome planning process, which has allowed for countless housing projects, especially low-income, to be delayed or rejected. As the city's zoning has remained largely unaltered this has forced the majority of new development to the east side of the city where high density buildings dominate. Over the last ten years over 90% of new housing built has been in buildings of 20+ units and the vast majority of these buildings are located in the Downtown or South of Market Planning Districts. Indeed, the east side of the city has taken on far more than its fair share of housing in the past decade, producing thousands and thousands of units, while very few units have been added to the west side in this ten-year span. This extremely inequitable distribution of housing, especially affordable housing, is an imbalance that is past due for a shift.

While job growth continues to outpace housing production at a rate of about 8.5 to 1 and affordable housing production struggles to make up 25% of the total housing units added each year, the financial demographics of the city have also shifted. For example, from 2010 to 2017 the percent of high wage earners (above 120% AMI) living in San Francisco went from 41% to 55% of the total population, while low-wage earners (less than 80% AMI) went from 44% to 31%. Although this can partly be attributed to job growth in the high-wage tech sector, low-wage job growth has been similar in San Francisco, but low-wage earners cannot afford to live in the City.

Over the last twenty years especially, displacement has occurred at an astonishing rate, and much of it can be traced to strong downward pressure put on the rental and housing market by the city's growing population of high-wage earners. As has been shown, supply still matters. While adding more supply at market-rate levels may not translate directly to more affordability - i.e. lower income earners paying less rent - it does take crippling pressure off the very taxed housing market, which responds to a glut of high income bidders by evicting low income households. Creating more supply for an already inflated high income market can help preserve the affordability of older units and limit overall displacement that high demand fuels in housing sub-markets.

Of course, to create more tangible affordability for low to moderate income households, more affordable housing needs to be constructed and preserved. In San Francisco this is accomplished primarily via the construction and preservation of 100%

affordable housing projects or the construction of inclusionary units in market-rate buildings. In 2020, the San Francisco Planning Department's Housing Affordability Strategies outlined an ambitious plan to tackle the current affordability crisis. Their goal was to build 5,000 total units each year, including 1,687 new affordable units and 1,100 preserved/rehabilitated. Of these, 687 would be developer-built inclusionary units, while the city (with a combination of local, state, and federal funds) would pay for the remaining 1,000 new affordable and 1,100 preserved units. Because building affordable housing is expensive and there is little economic return on most units added the estimated cost per year to reach this goal was set at $517 million (in 2020 dollars). While the City nearly met this funding target in FY 2019-20 it has fallen far short in the past and will need to target new funding and revenue sources to cover shortfalls in the coming years.

While these city goals were already ambitious for San Francisco, the RHNA allocations for the next eight-year cycle are more than double these targets. For the 6th RHNA cycle running from 2023 to 2031 San Francisco is required to build 82,069 units, or 10,258 units per year. Of the required units a total of 57%, or 46,598 units, will need to be affordable to households in the 'very low' to 'moderate' income brackets. The majority of these allocated affordable units will need to be for the 'very low' income category, with 20,867 units assigned - more than triple the previous cycle's allocation of 6,234 units.

For perspective, in San Francisco only 2,317 units for 'very low income' households were completed over the last eight-year cycle, but ten times this amount will be required for the next cycle (20,867 units). Over the last 20 years, more than 5,000 units have only been built once in San Francisco (in 2016) and the average production of affordable units over the last ten years is 1,059 units per year. This will need to ratchet up to over 5,800 units per year over the next eight years to meet the new requirements for 'very low', 'low' and 'moderate' income households.

According to the City's Capital Plan, first realised in 2020, for San Francisco to meet its production targets for 'very low', 'low' and 'moderate-income' housing over the 2022-2031 RHNA cycle, approximately $7 billion will be needed, which is $875 million per year. Considerably more than the $503 million spent in FY 2019-20, which was the most the City has ever spent on affordable housing in one year. Yet, a recent planning report provided to the San Francisco Board of Supervisors in May 2022 has shown that the local funding gap for affordable housing construction in the first year of the new RHNA cycle is much larger than these previous predictions. According to the report the local funding gap for affordable housing production in 2023 is estimated to be $1.3 billion. Additionally, this gap is predicted to increase each year until 2029 with a total predicted local shortfall of $14 billion over this seven year period. Currently, the City's total spend per year on affordable housing is expected to drop below $300 million each year in the coming years, which is well short of the billions needed.

For San Francisco to meet its mandated RHNA goals public spending and construction will be required on an unprecedented scale. Right now, there are no indicators that San Francisco has the funding available to build the allocated units at the necessary speed given the previous record. That said, San Francisco does not need to actually build over 82,000 units in the next eight years (at a pace of 10,000+ units per year), it just needs to show the State and the HCD that it can via its upcoming Housing Element. However, if San Francisco cannot put together a complaint Housing Element that feasibly plans for the construction of 82,069 units, they will lose state funding for affordable housing and be subject to litigation and state planning intervention at the local level.

In San Francisco's Housing Element draft it has already been determined that the city is short on capacity and that rezoning will be needed to accommodate the required units. To accomplish this, the City is undertaking a rezoning program that will see the entire west side of the city up-zoned for higher densities. However, this rezoning will take place over the next three years, which means that the 6th RHNA cycle will likely be half complete before developers even have access to build on these rezoned parcels.

While the new, higher state housing allocations and mandated rezoning are intended to foster more housing production, there are also big questions around the actual outcomes and (perhaps) unintended consequences of such actions. As has been discussed, rezoning has the potential to create rent and value ‘gaps’ that can lead to speculation and/or gentrification if guardrails are not in place. In fact, there is concern about whether much housing will be built at all since a study on spot up-zoning in Chicago has shown that rising land prices and increased transactions followed up-zoning there, but led to no actual housing being built (Freemark 2019a). Even with a feasible list of inventory sites that provide capacity for the construction of 82,000 units over eight years, a recent study from UCLA has shown that in San Francisco RHNA inventory sites only had a 7-9% chance of development, and that roughly 70% of housing built over the current RHNA cycle was constructed on non-inventory sites (Kupur et al. 2021).

If more housing is added in good time at all income levels as is desired, this would help mitigate the overall housing shortage and take pressure off of rental submarkets and older housing stock. However, it will be near impossible to meet the mandated affordable housing targets without huge amounts of additional funding and/or revenue, meaning that the new RHNA process will likely not solve for affordability. In addition, current economic conditions including inflation and overall construction costs may challenge residential development at all levels, especially as applications for new housing projects are reaching lows not seen since after the 2008 recession.

Although housing is shelter, on the open market it has become a commodity as land use has become increasingly financialized in large cites around the world. The only way to make housing (permanently) affordable is to remove it from the market - either through the construction of 100% affordable projects or the preservation of existing affordable units. Yet this task will take a massive, unprecedented amount of public spending to accomplish. While the approach the State is taking to stimulate housing production via the RHNA process could be a step in the right direction over the long term (if the needed housing gets built), without additional financing at the state level, large cities like San Francisco will fail to meet their affordable housing allocations by a wide margin, meaning that the adoption of this new RHNA process will have little effect on overall affordability.

7. Recommendations

1. State Action: Use State Surplus to Fund Affordable Housing Production

To build the required affordable housing over the next RHNA cycle more funding is mandatory. This can come from a variety of sources, but as RHNA allocations are state-mandated, the State of California should be a first port of call for new funding streams. Currently the State has a predicted surplus of around $97.5 billion (Myers 2022). If some of these billions could be given to cities as one-time gifts to help them meet their RHNA goals it would go a long way to alleviating current funding shortfalls and allow for more affordable units to be built.

The amount of funding each city receives could be predicated by the quantity of units allocated. This approach would see San Francisco receive significant funding as the city had the second highest requirements for total housing units in the state, behind only Los Angeles. In San Francisco, one-time sources are often used on capital and infrastructure projects and any new state funding could be put to use immediately by the city in a number of ways. For example, the funds could be used to build new 100% affordable housing projects in San Francisco's 'well resourced' areas on the westside of the city, as is recommended by the city's Housing Element and prompted by the state's RHNA process. Such funds could also be used to purchase older hotels and apartment buildings to be converted into new or preserved affordable housing units, similar to Project Homekey, which operates at the state-level. Acquiring and rehabilitating such buildings is one of the quickest and cheapest way to add and preserve affordable housing units and could help the City bring affordable units online quickly to make tangible progress towards the new RHNA goals.

2. Fundraise for Affordable Housing at the Regional and State Level

A new regional funding body known as the Bay Area Housing Finance Authority (BAHFA) was established by Assembly Bill 1487 (Chiu, 2019). BAHFA is a key component of the MTC/ABAG 'Expanded Regional Housing Portfolio' which is based on their "3Ps": protect, preserve, and produce to secure long-term affordability (BAHFA 2021:1-6). BAHFA is the first state-approved regional housing finance authority in California that enables affordable housing funding and financing at a multi-county, regional scale and the 2021-2022 California state budget already included $20 million to underwrite their work. BAHFA has the power to raise revenue regionally from a variety of sources, including voter approved taxes, such as a parcel tax, a per-employee 'head tax', and/or a gross receipts tax; a commercial linkage fee, capped at $10 per square foot; issuance of general obligation bonds; and grants or loans from public and private sources (BAHFA 2021: 11).

In addition to the fund-raising techniques above, BAHFA has the power and responsibility to advocate for new state and federal resources to advance their '3Ps' strategy. BAHFA can also harness existing regional preservation finance tools to maximize their impact. These include MTC's Bay Area Preservation Pilot (BAPP), which is a revolving loan fund, and ABAG's Bay Area Regional Energy Network (BayREN), which which offers rebates, grants and technical assistance for energy and water upgrades at ageing apartment buildings (BAHFA 2021: 17-18). Although BAHFA has yet to place the first regional housing revenue measure on the ballot in all nine Bay Area counties, they aim to do so at the next viable election opportunity. While funding from BAHFA will be awarded competitively, San Francisco should be in a good position to leverage these funding streams once they are operational given the new RHNA requirements and the current housing crisis.

Moving up from the regional to the state level, California should issue more bonds to finance affordable housing, especially as the most recent attempt to do so failed. First proposed in 2020 and later amended in 2021, SB 5, later known as the the Affordable Housing Bond Act of 2022, would have authorized the issuance of bonds in the amount of $6.5 billion pursuant to the State General Obligation Bond Law. The revenue from the sale of these bonds would have been used to fund affordable rental housing and homeownership programs and was set to appear on the ballot for the statewide elections on November 8th, 2022. Unfortunately, this bill died on February 1st, 2022 and was 'Returned to Secretary of Senate pursuant to Joint Rule 56'[46]. As such, it is recommended that the state senate work to produce a new bill that can be placed in front of voters for the 2023 or 2024 election cycle.

3. Adopt and Issue Mini-Bonds in San Francisco

Mini-bonds, also known as micro-bonds or baby bonds, are a type of municipal bond sold in denominations much lower than traditional bonds. Like standard municipal bonds mini-bonds are debt securities issued by cities to fund their general operations and to finance capital and infrastructure projects, such as 100% affordable housing projects. While traditional municipal bonds are typically sold in increments of $5,000, mini-bonds can be issued in increments as low as $25-100, although they are usually sold in the $500-1000 range (Axelrod 2018; Feller 2020).

Returns on mini-bonds are also significantly higher than traditional bonds since mini-bonds are usually 'zero-coupon' bonds, where the principal plus the accumulated interest is paid back all at once when the bond matures. As such, mini-bonds are structured so that the payment on maturity doubles (or triples) the initial purchase price/ investment (Ely and Martell 2016: 27). This differs from traditional municipal bonds, which

[46] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB5

are ‘current interest’ bonds that earn periodic interest on a quarterly, monthly, or yearly basis. Because of this, the maturity for mini-bonds is much shorter than traditional municipal bonds, e.g. 5-15 years vs. 30-40 years. Just like traditional municipal bonds, the interest returned on mini-bonds is tax exempt.

Ultimately, mini-bonds provide more accessibility to the bond market because they are more affordable. As such, they can provide investment opportunities to a diverse set of non-traditional investors, including historically marginalized populations (Ely and Martell 2016: 39; Feller 2020). The sale of mini-bonds also creates a more equitable distribution of tax-exempt investment opportunities, which are typically reserved for a small segment of higher income residents and investors. As mini-bonds mature faster than traditional securities and often feature higher returns they can also aid wealth creation in lower income populations by turning consumers into investors (Feller 2020). Finally, the issuance of mini-bonds allows community members to invest in local projects where they can see progress in real time, which promotes citizen engagement and public participation in debt financing, helping municipalities forge a link with the public that fosters community involvement and investment as well as a sense of civic pride (Ely and Martell 2016: 31; Axelrod 2018).

While mini-bonds have been issued in a number of cities throughout the US, both Denver, CO and Cambridge, MA have been leading the way in mini-bond issuances in recent years. Overall, mini-bond issuances have been successful for these municipalities, as Denver sold $12 million of bonds in one hour in 2014 and Cambridge sold $2 million worth in one week on its very first issuance in 2018 (Murray 2014; Burton 2017). The city of Berkeley, CA is also currently looking into the use of blockchain technology to make the purchasing of such bonds online easier and more secure (Armstrong 2021).

As San Francisco has a high population of adults, an above average median income, numerous universities, and a very civically engaged population the sale of mini-bonds would likely be a successful fund raising endeavour for the city. For example, in the 2020 election, 86.2% of San Francisco's registered voters participated, which ranked near the top for 'large counties' in California.[47] In addition, 86.6% of the city's population is above 18 years of age and the median household income is just under $120,000 per year,[48] indicating a high number of potential bond purchasers with a significant amount of disposable income. Finally, it has been shown that mini-bond issuances are especially successful in college towns (Feller 2020) and San Francisco is home to 13 universities. All of these factors combined should make San Francisco an ideal location for the issuance of mini-bonds, which can be used to fund affordable housing production.

4. Release Proposition I Funds

Proposition I, which proposed a transfer tax on real estate sales was passed by San Francisco voters in November 2020 with 57.5% 'yes' vote.[49] The proposition raised taxes on real state transfers over $10 million by 5.5% and 6% on transactions over $25 million. The intended use of this tax, as it was pitched to voters on the ballot, was to generate funds to be spent on rent relief and social housing in San Francisco. However, because the proposition was passed with a simple majority rather than a 2/3 majority, the funds raised by Proposition I have gone directly to the general fund, where they are subject to mayoral control. In 2021, Proposition I generated $128 million, and to date only $32 million (1/4) of this funding has been spent on rent relief with no money going towards housing acquisition (Moench 2021).

However, in 2021 the Housing Stability Fund and Oversight Board, which was created as part of the adoption of Proposition I, recommended that half of these funds,

---

[47] https://elections.cdn.sos.ca.gov/sov/2020-general/sov/03-voter-participation-stats-by-county.pdf; https://calmatters.org/explainers/california-county-voted-the-most/

[48] https://www.census.gov/quickfacts/sanfranciscocitycalifornia

[49] https://sfelections.sfgov.org/november-3-2020-election-results-summary

$64 million, be spent on the preservation of affordable housing via MOHCD's Small Sites Program (SSP). As of January 2021 there were 117 building with between 3-50 units that were for sale which contained tenants vulnerable to eviction, and the Oversight Board recommended that the Board of Supervisors use this money to purchase some of these buildings to remove them from the market (Schneider 2021). While the Board of Supervisors voted to do exactly that via a budget supplemental in an 8-3 'veto-proof' vote in November 2021, the Mayor has declined to spend the funds as desired (ibid).

Proposition I generated $137 million this fiscal year (FY2021-2022) (Schneider 2022), which means there is now about $233 million in city coffers that could be spent on affordable housing that the Mayor is withholding. In March 2022, the Housing Stability Fund and Oversight Board released a new set of recommendations for the use of these funds which includes $60 million for land acquisition for 100% affordable and educator housing; $52 million for upgrades and repairs to existing affordable housing and new affordable housing construction; $12 million for the Small Sites Program (on top of the $64 million already allocated by the Board); and $9 million for the development of innovative strategies such as social housing.[50] To date, the mayor has rejected the majority of these proposals and her current budget has only allocated an additional $14 million to affordable housing (Schneider 2022). In fact, funding for MOHCD's operations is expected to drop by $53 million in 2023 to a total of $205 million (ibid).

While the Board and the Mayor are gearing up for contentious debates on the use of these funds in the 2022-2023 budget process, it is highly recommended that the money generated by Proposition I be used for the acquisition, construction, and preservation of affordable housing as the voters, the Board of Supervisors, and the Oversight Board have made clear. This would allow for hundreds of affordable units to be

[50] https://sf.gov/sites/default/files/2022-04/HSFOB%20Recommendations%20FY%202022-23%20%28Approved%29.pdf

acquired, constructed, and preserved relatively quickly and help the City inch closer to its substantial yearly funding goals for affordable housing production and preservation, where it is currently severely underperforming.

5. Support an Affordable Housing Streamlining Proposal

Both the Mayor and the Board of Supervisors are aiming to get somewhat competing streamlining proposals for affordable housing production on the November 2022 ballot and it is important that at least one of these proposals moves forward given the difficult nature of the city's permitting and discretionary review process that routinely takes over two years for projects to navigate. While the Mayor's proposal would likely apply to more overall projects given its less stringent requirements on inclusionary unit percentages and labor used, the Board's proposal would ensure higher levels of affordability and the use of union labor; however, it would likely apply to less projects overall.

As these measures are rather similar, if both reach the ballot, which is possible, it could be confusing for voters, and if both pass one would likely supercede the other. Because the Mayor's proposal would apply to a larger number of projects overall it would likely provide more affordable units in the long run, and union labor forces could still be used on such projects. As such, if both measures reach the ballot it is recommended that the Mayor's streamlining proposal be passed over the Board's version. However, if only one measure reaches the ballot that proposal should be ratified by the voters regardless, since the streamlining of affordable housing projects must occur for the city to even begin to come close to reaching its RHNA goals over the next eight years.

References

Armstrong, A. 2021. ‘Berkeley to adopt blockchain technology for microbond financing program’, *The Daily Californian*, December 30th, 2021.

Arnott, R.J. and Braid, R.M. 1997. ‘A filtering model with steady-state housing’, *Regional Science and Urban Economics*, 27 (4-5): 515-546. DOI: https://doi.org/10.1016/S0166-0462(97)80008-7.

Asquith, B.J., Mast E., and Reed, D. 2019. ‘Supply Shock Versus Demand Shock: The Local Effects of New Housing in Low-Income Areas’, Upjohn Institute Working Paper 19-316. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research: https://doi.org/10.17848/wp19-316.

Asquith, B.J., Mast E., and Reed, D. 2020. ‘Supply Shock versus Demand Shock’, Policy Brief. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. https://doi.org/10.17848/pb2020-19.

Atta-Mensah, A., ‘City Views: Major Community Group Rejects de Blasio’s East Harlem Rezoning’, *City Limits*, August 23rd, 2017.

Axelrod, J. 2018. ‘The mini-bond issue’, *American City and Country*, November 7th, 2018.

Baranski, J. 2019. *Housing the City by the Bay: Tenant Activism, Civil Rights, and Class Politics in San Francisco.* Stanford: Stanford University Press.

Bay Area Housing Finance Authority (BAHFA). 2021. ‘Momentum for Lasting Solutions: Launching the Bay Area Housing Finance Authority’: https://abag.ca.gov/sites/default/files/documents/2021-02/Launching%20BAHFA-Regional%20Housing%20Portfolio_2-24-21_v6.pdf.

Been, V., Ellen, I.G., O’Regan, K. 2018. ‘Supply Skepticism: Housing Supply and Affordability’, *NYU Furman Center*: https://furmancenter.org/files/Supply_Skepticism_-_Final.pdf.

Beyer, S. 2017. ‘Build, Baby, Build: A New Housing Movement’s Unofficial Motto’, *Governing the Future of States and Localities*, February 13th, 2017.

Bronstein, Z. 2018. ‘California's “Yimbys”, The Growth Machine’s Shock Troops’, *Dollars and Sense*, September-October, 2018: http://dollarsandsense.org/archives/2018/0918bronstein.html.

Budget and Legislative Analyst Report (BLA). 2012. Performance Audit of San Francisco’s Affordable Housing Policies and Programs: https://sfbos.org/sites/default/files/FileCenter/Documents/40671-011812_FINAL_SF_Affordable_HousingPol%26Prog_NEW.pdf

Budget and Legislative Analyst Report (BLA). 2013. Analysis of Tennant Displacement in San Francisco: https://sfbos.org/sites/default/files/FileCenter/Documents/47040-BLA%20Displacement%20103013.pdf

Budget and Legislative Analyst Report (BLA). 2019. Jobs-Housing Fit Report: https://sfbos.org/sites/default/files/BLA.Jobs%20Housing.101619.pdf

Budget and Legislative Analyst Report (BLA). 2022a. Residential Vacancies in San Francisco:
https://sfbos.org/sites/default/files/BLA.Residential%20Vacancies.013122_final.pdf

Budget and Legislative Analyst Report (BLA). 2022b. Vacancies in Below Market Rate Rental Units: https://sfbos.org/sites/default/files/BMR%20Rental%20Vacancies%20Report%20FINAL.05.03.22.pdf.

Burton, P. 2017. 'Cambridge, Mass., Community-Sourced Minibonds Could Spark Market Trend', *The Bond Buyer*, March 15th, 2017.

Brahinsky, R. 2011. "Hush Puppies', Communalist Politics, and Demolition Governance: The Rise and Fall of the Black Fillmore'. In: Chris Carlsson (Ed.) *Ten Years That Shook the City: San Francisco 1968*-1978: 141-152.

Chapman, J. 1998. 'Proposition 13: Some Unintended Consequence', *Public Policy Institute of California (PPIC) - Occasional Papers:* https://www.ppic.org/wp-content/uploads/content/pubs/op/OP_998JCOP.pdf.

Clare, J. 2019. Because Housing Is What? Fundamental. California's RHNA System as a Tool for Equitable Housing Growth, *Ecology Law Quarterly,* DOI: https://doi.org/10.15779/Z385Q4RM5H

Collins, N. 2021. 'What does SB 9 and SB 10 really mean for our neighborhoods?', *San Jose Spotlight,* October 28th, 2021.

Commerce & Industry Inventory, San Francisco Planning Department. 2012. https://default.sfplanning.org/publications_reportsCommerce_Industry_Inventory_Report_2012.pdf.

Comerio, M. C. 1997. 'Housing Repair and Reconstruction After Loma Prieta', *National Information Service for Earthquake Engineering,* Dec. 9, 1997: http://nisee.berkeley.edu/loma_ prieta/comerio.html.

Deleon, R. 1992. *Left Coast City: Progressive Politics in San Francisco, 1975-1991.* University Press of Kansas.

Demhof, W. G. 2011. 'Why San Francisco Is (or Used to Be) Different: Progressive Activists and Neighborhoods Had a Big Impact', *Who Rules America?*: https://whorulesamerica.ucsc.edu/local/san_francisco.html.

Diamond, R., and McQuade, T. 2016. Who Wants Affordable Housing in their Backyard? An Equilibrium Analysis of Low Income Property Development (Working Paper). Berkeley, CA: National Bureau of Economic Research.

Dillon, L. 2018. 'A little-known bill could reshape housing development across California', *Los Angeles Times*, April 12th, 2018.

Dineen, J.K. 2021a. ‘A Tenderloin church wants to add more housing to the area. Critics say it isn’t the right type of housing’, *San Francisco Chronicle*, May 29th, 2021.

Dineen, J.K. 2021b. ‘Why did S.F. supervisors vote against a project to turn a parking lot into 500 housing units?’, *San Francisco Chronicle*, October 27th, 2021.

Dineen, J.K. 2021c. ’S.F. supervisor pushes competing plan for fourplexes in single-family areas. Critics say it wouldn’t produce much housing’, *San Francisco Chronicle*, November 17th, 2021.

Dineen, J.K. 2022a. “Projects are just dying’: Applications for new housing in San Francisco hit new low’, *San Francisco Chronicle*, May 2nd, 2022.

Dineen, J.K. 2022b. ‘After being rejected by S.F. supervisors, a charter to streamline housing could go to voters’, *San Francisco Chronicle*, April 4th, 2022.

Drierer, P. 2011. ‘Don't add Reagan's face to Mount Rushmore’. *The Nation*, April 3, 2011.

Durkin, E. 2016. ‘Melissa Mark-Viverito pushes for 50% of new apartments in East Harlem to be affordable housing’, *Daily News*, Feb. 25, 2016.

Ely, T.L. and Martell, C.R. 2016. ‘Costs of Raising (Social) Capital Through Mini-Bonds’, *Municipal Finance Journal*: 23-43. DOI: https://www.civicresearchinstitute.com/online/PDF/MFJ-3703-02-Mini-Bonds.pdf.

Feller, G. 2020. ’The Case for Microbonds’, *City Journal*, June 8, 2020: https://www.city-journal.org/community-microbonds-fiscal-recovery.

Finamore, C. 2014. ‘Activists protest ‘Monster in the Mission”, *Beyond Chron*, October 6, 2014.

Freemark, Y. 2019a. ‘Upzoning Chicago: Impacts of a Zoning Reform on Property Values and Housing Construction’, *Urban Affairs Review*, 56 (3): 758-789. DOI: https://doi.org/10.1177/1078087418824672.

Freemark, Y. 2019b. Housing Arguments Over SB 50 Distort My Upzoning Study. Here’s How to Get Zoning Changes Right, *The Frisc*, May 22nd, 2019.

Frieden, B. 1979. *The Environmental Protection Hustle*. Cambridge: MIT Press.

Gardiner, D. and Morris, J.D. 2022. ‘San Francisco may embrace fourplexes while undercutting part of state density law’, *San Francisco Chronicle*, March 7th, 2022.

Gyourko, J., and Molloy, R. (2015). “Regulation and Housing Supply”. *Handbook of Regional and Urban Economics,* 5: 1289-1337.

Habert, D. 1999. ‘Fifty Years of Redevelopment: Lessons for the Future’, *The Urbanist*, March, 1999.

Hankinson, M. (2017). When Do Renters Behave Like Homeowners? High Rent, Price Anxiety, and NIMBYism (Working Paper). Cambridge, MA: Harvard Joint Center for Housing Studies.

Hartman, C. 2002. *Transformations of the City.* Berkley: University of California Press.

Harvey, D. 2008. 'The Right to the City', *New Left Review,* 53: 23-40.

Hom, A. 2021. 'Developments in Development: The Marvel and Stevenson are more complicated than the good and evil twins of SF's housing debate', *Mission Local*, November 17th, 2021.

Hoover, C. 1979. 'Introduction'. In: Ira Nowinski (Ed.), *No Vacancy: Urban Renewal and the Elderly.* San Francisco: Carolyn Bean.

Housing Affordability Strategies Final Report, San Francisco Planning Department. 2020a. https://default.sfplanning.org/publications_reports/Housing_Affordability_Strategies_Report.pdf.

Housing Affordability Strategies - Affordable Housing Funding, Production, and Preservation, San Francisco Planning Department. 2020b: https://default.sfplanning.org/plans-and-programs/housing/affordability-strategy/HAS_Affordable%20Housing%20White%20Paper_Final.pdf

Housing Element Update - Highlights, San Francisco Planning Department. 2022a: https://www.sfhousingelement.org/housing-element-2022-update-highlights.

Housing Element Update - Sites Inventory and Rezoning Program, San Francisco Planning Department. 2022b: https://www.sfhousingelement.org/draft-sites-inventory-report-and-rezoning-program.

Housing Inventory 2020, San Francisco Planning Department. 2020: https://sfplanning.org/sites/default/files/documents/reports/2020_Housing_Inventory.pdf

Housing Inventory 2021, San Francisco Planning Department. 2021.: https://sfplanning.org/sites/default/files/documents/reports/2021_Housing_Inventory.pdf

Housing Needs and Trends Report, San Francisco Planning Department. 2018: https://default.sfplanning.org/publications_reports/Housing-Needs-and-Trends-Report-2018.pdf.

Howard, A. 2014. *More than Shelter: Activism and Community in San Francisco Public Housing.* Minnesota: University of Minnesota Press.

Jackson, K. (2016). Do Land Use Regulations Stifle Residential Development? Evidence from California Cities, Journal of Urban Economics 91, 45-56.

Joint Center for Housing Studies for Harvard (2015). *America's Rental Housing: Expanding Options for Diverse and Growing Demand*. Cambridge, MA: Harvard University.

Kapur, S., Damerdji, S., and Elmendorf, C. S. 2021. What Gets Built on Sites That Cities "Make Available" for Housing? *UCLA: The Ralph and Goldy Lewis Center for Regional Policy Studies:* https://escholarship.org/uc/item/6786z5j9.

Karlinsky, S. 2013. ‘The Uneven Housing Recovery’, *The Urbanist*, Issue 529 December 2013 to January 2014.

Keeling, B. 2019. ‘SB 50 flowchart will help you make sense of California’s transit-housing bill’, *Curbed SF,* April 29th, 2019.

Kim, A. 2018. ‘Controversial state housing bill SB 827 dies in committee hearing’, *The Daily Californian*, April 20th, 2018.

Kok, N., Monkkonen, P., and Quigley, J. 2014. ‘Land Use Regulations and the Value of Land and Housing: An Intra-Metropolitan Analysis’, *Journal of Urban Economics*, 81, 136-148.

Kurura, J. 2018. ‘Tall Tales: The Potential Impact of SB 827’, *SF Weekly*, March 29th, 2018.

Kurvinen, A.T. & Vihola, J. 2016. ‘The Impact of Residential Development on Nearby Housing Prices’, *International Journal of Housing Markets and Analysis*, 9(4), 671-690.

Lazier, D. 2020. ‘A Look Back: San Francisco Real Estate Through Crisis’: https://daniellelazier.com/look-back-san-francisco-real-estate-crisis/.

Li, R. and Neilson, S. 2022. ’S.F. population fell 6.3%, most in nation, to lowest level since 2010’, *San Francisco Chronicle*, May 25th, 2022.

Manville, M., Lens, M. and Monkkonen, P. 2019. Zoning and Affordability: A Reply to Storper and Rodríguez-Pose: https://drive.google.com/file/d/1sHh6BJ8dPoN9VQj-PXTPK5ATa8mL8MP4/view.

McCartney, T. and Pratt, S. 2008. The Fair Housing Act: 35 Years of Evolution: http://www.fairhousing.com/include/media/pdf/35years.pdf.

McCormick, E. 2017. ‘Rise of the YIMBYs: The angry millennials with a radical housing solution’, *The Guardian*, October 2nd, 2017.

Mecke, Q. 2004. ‘McFrisco’ In: James Brooks, Chris Carlsson, and Nancy J. Peters (Eds) *Reclaiming San Francisco: History, Politics, Culture.* San Francisco: City Lights Books: 247-272.

Metcalf, G. and Warburg, J.. 2012. ‘In San Francisco, the Boom Is Back’, *The Urbanist*, Issue 519, December 2012 to January 2013.

Moench, M. 2021. ‘A fight is breaking out over how to spend money from San Francisco’s real estate tax’, *San Francisco Chronicle*, June 2nd, 2021.

Moench, M. 2022a. ‘Mayor Breed vents frustration with supervisors, jokes about getting rid of board’, *San Francisco Chronicle*, January 13th, 2022.

Moench, M. 2022b. ’S.F. fight over affordable housing: Supervisors want voters to back their new plan over Breed’s big push at ballot’, *San Francisco Chronicle*, May 26th, 2022.

Moore, E., Montojo, N., and Mauri, N. 2019. ‘Roots, Race, and Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area’, *The Othering and Belonging Institute (UC Berkeley)*: https://escholarship.org/uc/item/2j08r197.

Murray, J. 2014. ‘Denver’s $500 “mini-bonds” sell out in first hour, raising $12 million’, *The Denver Post*, August 4th, 2014.

Myers, J. 2022. ‘California surplus expected to hit unprecedented $97 billion under Newsom’s budget plan’, *Los Angeles Times*, May 13th, 2022.

Oatman-Stanford, H. 2018. ‘Demolishing the American Dream: How San Francisco Planned its own Housing Crisis’. *Collectors Weekly,* September 21st, 2018.

Ooi, J.T.L. & Le, T.T.T. (2013). ‘The Spillover Effects of Infill Development on Local Housing Prices’, *Regional Science and Urban Economics*, 43, 850-861.

Pennington, K. 2021. ‘Does new housing cause displacement? The supply and demand effects of construction in San Francisco’, *Urban Economics & Regional Studies eJournal*: https://www.dropbox.com/s/oplls6utgf7z6ih/Pennington_JMP.pdf?dl=0.

Picketty, T. 2014. *Capital in the 21st Century.* Cambridge: Belknap Press.

Picker, L. 2005. ‘The Lock-in Effect of California's Proposition 13’, *The Digest,* No. 4, April 2005.

Redmond, T. 2015. ‘Why Market Rate Housing Makes the Crisis Worse’, *48 Hills*, June 14, 2015.

Redmond, T. 2018. ‘A bad week for the Yimby narrative’, *48 Hills*, August 8th, 2018.

Redmond, T. 2021. ‘Supes pass key affordable housing bill with a veto-proof majority’, *48 Hills*, November 30th, 2021.

Redmond, T. 2022a. ‘SF needs $19 billion to meet state affordable housing goals—and Breed has no plan’, *48 Hills*, May 19th, 2022.

Redmond, T. 2022b. ‘Demolitions, speculation—and maybe not that much new housing anyway’, *48 Hills*, March 7th, 2022.

Richman, B.D. 2002: ‘Mandating Negotiations to Solve the NIMBY Problem: A Creative Regulatory Response’, *UCLA Journal of Environmental Law and Policy*, 20(2): 223-236.

Rodriguez-Pose, A. and Storper, M. 2019. ‘Housing, urban growth and inequalities: The limits to deregulation and upzoning in reducing economic and spatial inequality’, *Urban Studies*, 57(2): 223-248. DOI: https://doi.org/10.1177/0042098019859458.

Rosen, M. and Sullivan, W. 2014. ‘From Urban Renewal and displacement to Economic Inclusion: San Francisco Affordable Housing Policy 1978-2014”. *Stanford Law and Policy Review* 25 (121): 121-162.

Rosenthal, S. 2014. ‘Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a ‘Repeat Income’ Model’, *American Economic Review,* 104: 687-706.

Rothstein, R. 2017. *The Color of Law.* New York: Liveright Publishing.

Rubin, G. S. 1998.’The Miracle Mile, South of Market and Gay Male Leather 1962-1997’ In: James Brooks, Chris Carlsson, and Nancy J. Peters (Eds) *Reclaiming San Francisco: History, Politics, Culture.* San Francisco: City Lights Books: 247-272.

Sawyer, N. 2014. ‘History of Redlining in San Francisco Neighborhoods’, *Hoodline*, June 3, 2014.

Schneider, B. 2021. ‘Supes vs. mayor: Fight breaks out on how to spend Prop I money’, *San Francisco Examiner*, December 1st, 2021.

Schneider, B. 2022. **‘**Preston and Breed square off over affordable housing funds’, *San Francisco Examiner*, June 13, 2022.

Schively, C. 2007. ‘Understanding the NIMBY and LULU Phenomena: Reassessing Our Knowledge Base and Informing Future Research’, *Journal of Planning Literature*, 21(3), 255-266.

Shanks, A. 2022. ‘Voters could be faced with duelling affordable housing proposals’, *San Francisco Examiner*, May 31st, 2022.

Shaw, R. 1996. ‘The Creation of Homelessness’, *FoundSF*: https://www.foundsf.org/index.php?title=CREATION_OF_HOMELESSNESS.

Shaw, R. 2005. ‘How Elites are Reshaping San Francisco Politics’, *Beyond Chron*, May 16, 2005.

Somerville, C. T., and Mayer, C.J. 2003. ‘Government Regulation and Changes in the Affordable Housing Stock’, *Economic Policy Review* 9(2), 45-62.

Stein, S. 2019. *Capital City: Gentrification and the Real Estate State*. Verso: London.

Taylor, M. 2016. *Perspectives on Helping Low-Income Californians Afford Housing*. Sacramento, CA: California Legislative Office.

Weicher, J., Eggers, F., & Moumen, F. 2016. *The Long-Term Dynamics of Affordable Rental Housing*. Washington, DC: Hudson Institute.

Weiss, M. 1986 ‘Urban Land Developers and the Origins of Zoning Laws: The Case of Berkeley’, *Berkeley Planning Journal*, 3(1): https://doi.org/10.5070/BP33113187.

Weiss, M. 1988. 'The real estate industry and the politics of zoning in San Francisco, 1914–1928', *Planning Perspectives,* 3, 311-324.

Welch, C. 1996. 'Affordable Housing', *FoundSF*: https://www.foundsf.org/index.php?title=AFFORDABLE_HOUSING.

Welch, C. 2011. 'A Right to Stay: the Creation of the Community Housing Movement in San Francisco 1968-1978'*.* In: Chris Carlsson (Ed.) *Ten Years That Shook the City: San Francisco 1968-1978*: 154-162.

Welch, C. 2013. 'SF Controller Shows "Supply & Demand" Does Not Work in the San Francisco Housing Market', *San Francisco Information Clearinghouse*: https://www.scribd.com/doc/217112947/SF-Controller-Shows-Supply-and-Demand-Does-Not-Work#download&from_embed.