



8 WAYS TO MAKE SAN FRANCISCO MORE AFFORDABLE

Proposals to solve the housing
affordability crisis

SPUR REPORT

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San Francisco is in the midst of an affordability crisis. We are all feeling the impacts as the rising cost of housing threatens to drive away the diversity that makes this city so special.

The causes are complicated. Changing this situation will require far-reaching changes to the city's housing policies. But there are many things we can do at the local level to make San Francisco more affordable for the people who live here. What follows are eight ideas that SPUR believes are worth pursuing.

1. Protect the existing rent controlled housing stock.

There are approximately 172,000 rent-controlled units in San Francisco right now.¹ While there are downsides to rent control, it is the core tenant protection allowing many people to stay in the city.

- a. Discourage the speculative practice of buying rent-controlled buildings for the purpose of converting to tenancy-in-common units or condos by requiring landlords to actually have been in the landlord business for a significant period of time before using the Ellis Act to “leave the business.”²
- b. Raise the relocation payments to tenants when they are evicted.

2. Reinvest in public housing.

There are approximately 6,300 public housing units in San Francisco currently. The mayor has announced an ambitious program to renovate and preserve these units³, building on the major reconstructions proposed in the Hope SF program.

- a. Fund Hope SF and the broader public housing program through a normal budget appropriation over several years while the economy is strong. This is not a permanent set aside, but rather a series of annual budget allocations made through the budgeting process.

3. Double the amount of subsidized affordable housing.

There are approximately 16,000 privately developed, permanently affordable units today — primarily owned by nonprofits.⁴ We should set a goal of doubling this number. There are nearly 8,000 affordable

¹ According to the San Francisco Rent Board. Phone conversation with Ted Gullickson December 3, 2013.

² John Cote and Marisa Lagos. “S.F. politicians: Restrict Ellis Act evictions.” *SF Chronicle*, sfgate. November 14, 2013.

<http://www.sfgate.com/bayarea/article/S-F-politicians-Restrict-Ellis-Act-evictions-4981974.php>

³ For more on plans to reinvest in public housing, see: *Re-envisioning the San Francisco Housing Authority*. SPUR memorandum. June 24, 2013. <http://www.spur.org/publications/spur-memorandum/2013-06-24/re-envisioning-san-francisco-housing-authority> and also *SFHA Re-Envisioning: Recommendations to Mayor Lee on how to transform the SF Housing Authority*. Prepared by Olson Lee and Naomi Kelly, July 1 2013. <http://www.sfgsa.org/modules/showdocument.aspx?documentid=10842>

⁴ According to Sasha Hauswald, Mayor's Office of Housing. Email correspondence January 9, 2014.

housing units in the development pipeline,⁵ and we currently have in place several funding mechanisms for new affordable housing construction: the inclusionary requirement; the Housing Trust Fund; and the jobs-housing linkage fee.

- a. Pursue additional state and regional funding sources for affordable housing — in particular by helping with the Non-Profit Housing Association of Northern California (NPH)'s Regional Quality of Life Initiative.
- b. Create a city acquisition-rehab fund; seed it through a one-time appropriation of city funds.

4. Make it much easier to add supply at all levels.

In the long run, fixing the structural inability to add more housing is the only way to make the city more affordable for most people.

- a. Make some housing possible to build as of right. Remove the automatic discretionary permit requirements from new housing, by amending the city's Business and Tax Regulation Code. Define small and medium-sized projects (exact size to be determined) that comply with zoning to be as-of-right, reserving the more intensive, discretionary process for larger projects. For as-of-right approvals, require city staff to conduct design review to assure projects incorporate well-established urban design standards.
- b. Undertake neighborhood plans to increase housing along major transit corridors, building on the success of the Better Neighborhoods Plans.⁶
- c. Undertake a modest up-zoning of neighborhood shopping streets to encourage housing above retail throughout the city.⁷
- d. Except in RH-1 neighborhoods, remove density limits based on lot area that encourage very large units; instead use height, yard and setback regulations to control the building size. This has already been implemented in several neighborhoods through Residential Transit Oriented zoning.

5. Launch a wave of experiments to produce middle-income housing.

There is a strong desire to find ways to create middle-income housing without using public subsidy. But thus far, strategies for encouraging market creation of middle-income housing are still niche. That doesn't mean we shouldn't try some of these promising newer approaches; it means we should enter into them with a spirit of experimentation.

⁵ According to Sarah Dennis-Phillips, Office of Economic and Workforce Development. Phone conversation January 8, 2014.

⁶ *Zoning For More Housing*. SPUR report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/zoning-more-housing>

⁷ *Housing Above Retail*. SPUR report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/housing-above-retail>

- a. Remove the citywide cap on micro-units.⁸
- b. Legalize new in-law units within existing building envelopes citywide through the elimination of density controls and parking minimums.⁹
- c. Establish partnerships with universities to create student housing, either on or off campus. The goal should be to get universities to not purchase existing rent-controlled units but instead to create new housing, taking at least some students (and perhaps faculty) out of competition within the broader housing market.¹⁰
- d. Add a new option to the inclusionary housing law that allows producing more subsidized units, at a reduced subsidy per unit (sometimes called “the dial”).¹¹
- e. Create a program to create deed-restricted, middle-income rental housing on appropriate city-owned land.¹²
- f. Encourage the conversion of underutilized hotels (such as those along Lombard Street) for housing.
- g. Expand the city’s successful second mortgage program to assist middle-income households in purchasing their first home.¹³
- h. Make a one-time contribution through the normal budget process and match this with a major campaign to raise private money to create a program targeted at households earning between 100 percent and 150 percent of AMI to buy condos or homes. This is a revolving loan fund, so investments would be repaid to the city (and recycled into new loans) upon sale of the units.

6. Use new property taxes from growing neighborhoods to fund improvements to those neighborhoods.

We need to strengthen our social compact so that neighborhoods absorbing large amounts of development also receive infrastructure and public realm upgrades.

⁸ *Affordable By Design*. SPUR report. November 20, 2007. <http://www.spur.org/publications/spur-report/2007-11-20/affordable-design>

⁹ *Secondary Units, A Painless Way to Increase the Supply of Housing*. SPUR Report. June 1, 2006. <http://www.spur.org/publications/spur-report/2006-06-01/secondary-units>

¹⁰ *More info: Student Housing*. San Francisco Housing Action Coalition. <http://www.sfhac.org/positions/student-housing>

¹¹ *Affordable By Design*. SPUR report. November 20, 2007. <http://www.spur.org/publications/spur-report/2007-11-20/affordable-design>

¹² *Editorial*. “S.F. wise to look to own land to ease housing crisis.” *San Francisco Examiner*. December 27, 2013. <http://www.sfoxaminer.com/sanfrancisco/sf-wise-to-look-to-own-land-to-ease-housing-crisis/Content?oid=2659167>

¹³ *City Second Loan Program*. San Francisco Mayor’s Office of Housing and Community Development. <http://www.sf-moh.org/index.aspx?page=747>

- a. Form a working group on funding the infrastructure and public realm needs of the Eastern Neighborhoods.¹⁴
- b. Conduct a fiscal impact study on Rincon Hill and the Eastern Neighborhoods to determine how much “surplus” property tax revenue is being generated, net of the costs of new public services for the new development.
- c. Establish a policy to use half of the surplus from new development in these neighborhoods for physical improvements in those neighborhoods; implement this policy through the annual budget process.

7. Reinvest in the transportation system, as a way to provide viable transit options and reduce household transportation costs.

Transportation is the second largest expense for households and is a major determining factor in location affordability.¹⁵ The Transportation 2030 Task Force spells out a bold vision for completing San Francisco’s bike network, keeping the streets paved and making Muni faster and more reliable. These public investments would make it more feasible for many households to use transit and not need to own a car, improving the affordability of living in the city.¹⁶ We have identified three local revenue measures that can raise up to \$3 billion for these improvements and help attract federal, state and regional funds for even greater improvements.

- a. Pass a local vehicle license fee (\$1.1 billion).
- b. Pass a general obligation bond for Muni (\$500 million).
- c. Pass a second half-cent sales tax (\$1 billion).

8. Raise the minimum wage.

One final way to make the city more affordable is to increase the minimum wage, a very direct way to make sure more people benefit from the growing economy.¹⁷

¹⁴ *Review of Funding Tools for Public Improvements in the Eastern Neighborhoods. Report by the Eastern Neighborhoods Infrastructure Finance Working Group. July 2009.*
http://www.sfgov2.org/ftp/uploadedfiles/cpp/meetings/cpc/supporting/2009/ENIFWG%20Final%20Report_070209.pdf

¹⁵ *Center for Neighborhood Technology (CNT). Housing + Transportation Affordability Index.*
<http://htaindex.cnt.org/#1>

¹⁶ *Mayor’s 2030 Transportation Task Force. Safe, Reliable and Affordable Transportation.*
<http://sfcontroller.org/modules/showdocument.aspx?documentid=4912>

¹⁷ *Regional Prosperity Plan – Economic Prosperity Strategies. SPUR memorandum. December 17, 2013.*
<http://www.spur.org/publications/spur-memorandum/2013-12-17/regional-prosperity-plan-economic-prosperity-strategies>

- a. Convene a broad-based group to develop a proposal for a ballot measure to increase the San Francisco minimum wage.
- b. Conduct a sensitivity analysis to determine the likely impacts on jobs and businesses to inform this process.

The solutions sketched here have two great virtues: a) they are possible to implement at the local level; and b) they are mutually supportive. We should pursue all of these as real, practical ways to make San Francisco more affordable.

As we seek to address housing affordability at the local level, we must also be addressing this issue at the regional scale. As the Bay Area engages in planning efforts through the Sustainable Communities Strategy, it is critical that we build enough housing in the appropriate transit-oriented locations and identify new funding sources to add affordable housing throughout the region. Every city in the region needs to do its part if we're going to impact housing prices.