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San Francisco
Planning

Housing Affordability Strategies Report

SPUR Presentation June 16th, 2020

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Purpose of Housing Affordability Strategies:

- **Key question: How can the City do more to improve affordability?**
- **Comprehensive analysis of policies and investments**
- **Analysis and outreach will inform:**
 - **2022 Housing Element**
 - **Housing policy implementation**
 - **Neighborhood level planning**

Housing policies are working when racial and social equity is improved.


Indicators of improved racial and social equity include:

- **Black population increases**
- **Families with children increase**
- **Differences in wealth, education, and health outcomes between racial groups decrease**
- **Cost burdens for low and moderate income households decrease**

6/11 Commission Resolution Centers Planning on Racial and Social Equity

Planning Department will work with the Office of Racial Equity (ORE) focusing on the following:

1. Affirmatively address racial and social inequities;
2. Assert that housing is a human right, and prioritize equitable housing development without displacement of American Indian, Black, and communities of color;
3. Develop public land strategies to meet affordable and inclusionary housing goals;
4. Support wealth-building through home ownership for American Indian, Black, and communities of color;
5. Champion housing choice by dismantling exclusionary zoning policies;
6. Promote environmental justice; and
7. Redress the consequences of government-sanctioned racial harm via meaningful City-supported, community-led processes;



**SAN FRANCISCO
PLANNING DEPARTMENT**

**Draft Planning Commission Resolution
Centering Planning on Racial and Social Equity**
HEARING DATE: JUNE 11, 2020

Project Name:
Case Number:
Staff Contact:
Reviewed by:

Racial & Social Equity Initiative
2016-003351/CWP
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RESOLUTION CENTERING THE PLANNING DEPARTMENT'S WORK PROGRAM AND RESOURCE ALLOCATION ON RACIAL AND SOCIAL EQUITY; ACKNOWLEDGING AND APOLOGIZING FOR THE HISTORY OF INEQUITABLE PLANNING POLICIES THAT HAVE RESULTED IN RACIAL DISPARITIES; DIRECTING THE DEPARTMENT TO IMPLEMENT ITS RACIAL AND SOCIAL EQUITY ACTION PLAN; DIRECTING THE DEPARTMENT TO DEVELOP PROACTIVE STRATEGIES TO ADDRESS STRUCTURAL AND INSTITUTIONAL RACISM, IN COLLABORATION WITH BLACK, AMERICAN INDIAN AND COMMUNITIES OF COLOR; DIRECTING THE DEPARTMENT TO AMEND ITS HIRING AND PROMOTION PRACTICES TO ENSURE THAT THE DEPARTMENT'S STAFF REFLECTS THE DIVERSITY AND DEMOGRAPHICS OF THE COMMUNITY AT ALL STAFF LEVELS; RECOMMENDING THAT THE BOARD OF SUPERVISORS CONDEMN DISCRIMINATORY GOVERNMENT ACTIONS; AND, DIRECTING THE DEPARTMENT TO BUILD ACCOUNTABILITY THROUGH METRICS AND REPORTING.

PREAMBLE

WHEREAS, the Planning Commission has reflected on the current events of COVID-19 and its disproportionate effects on American Indian communities, Black communities, and communities of color; the murders of George Floyd, Breonna Taylor, Ahmaud Arbery, Alex Nieto, Mario Woods, Luis Góngora Pat, and countless others as a result of police brutality and misconduct; and underlying government and economic structures that create the platform for these events; and

WHEREAS, the San Francisco Human Rights Commission states that racial equity means the systematic fair treatment of people of all Races that results in equal outcomes, while recognizing the historical context and systemic harm done to specific racial groups; and,

WHEREAS, San Francisco has a long history of creating and/or enforcing laws, policies, and institutions that have promoted white supremacy and perpetuated racial inequities in the City and County of San Francisco ("the City"), much of which is difficult to document due to historical erasure. The conditions that have created such racial inequities are also compounded by the intersection of race with class, gender,

Housing Affordability Strategies Process

- **Worked with consultant team and fellow city agencies**
- **Informed by feedback from the public and policy experts**
 - Community forums and focus groups
 - Housing policy group with advocates, developers, and service providers
 - Researchers and academics

Winter 2019 Community Forums



Community Feedback on Long Range Housing Planning

Collected from:
December 2018 through February 2019
at 10 Community Forums throughout San Francisco

To inform:
The Housing Affordability Strategies Project of the
San Francisco Planning Department

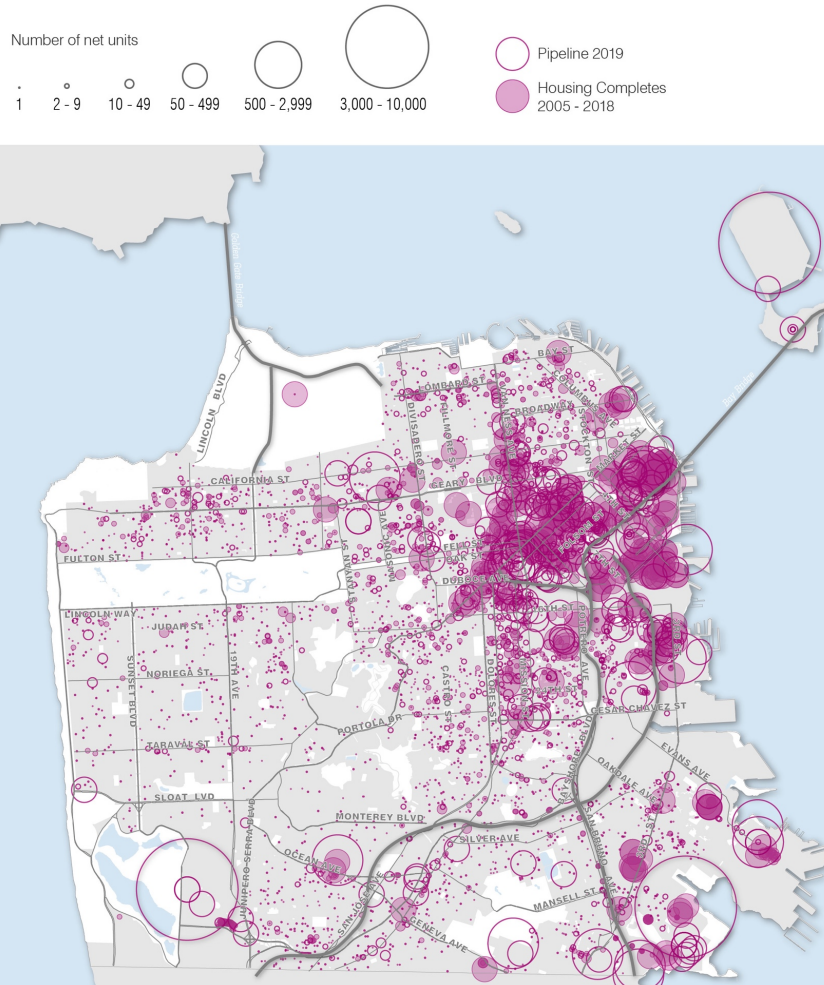


Housing Policy Group

- **Convened a diverse group of local housing policy stakeholders**
 - Interviews Winter 2019
 - Policy Focus Groups Summer 2019
 - Review of analysis Winter of 2020
- **Key Feedback: Points of agreement and disagreement**

Participants:

- Housing advocates
- Tenant Advocates
- For Profit Developers
- Nonprofit Developers
- Investors, Philanthropy
- Construction



Housing Policy Group

- **Where should new housing go?**
 - Current pattern of development is inequitable
 - We can build more in single family neighborhoods and along corridors throughout the city?
 - Need for neighborhood level planning processes

Housing Policy Group

■ Preservation

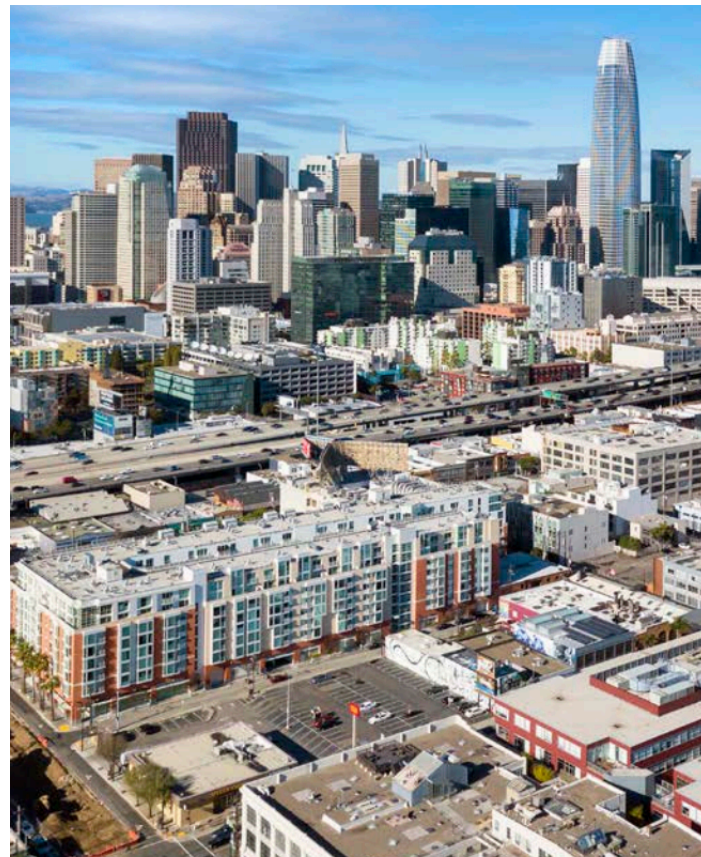
- Preservation is valuable even if it costs slightly more
- Only strategy that immediately benefits tenants at risk of displacement
- Rising construction cost makes preservation more attractive

■ Innovation

- Support for innovations including Cross Laminated Timber, Modular Construction and Co-living
- Likely to result in cost reductions over the longer term
- City could do more to support appropriate adoption of innovations

Housing Policy Group

- **Income Mix/Housing Ballance**
 - Helpful to have a long-range target for % affordable
 - Essential step for preserving racial diversity
 - Market won't produce enough affordable units
 - Must increase spending on affordable housing to meet any meaningful target
 - Must pay attention to demolitions



Housing Targets

- **How do we sustain the following over 30 years:**
 - Mayor's goal of 5K new units per year
 - At least 1/3 of new units affordable (Proposition K)
 - Preserve 1,100 additional affordable units per year
 - Increase stability for our vulnerable residents
- **Affordability targets reach current Low and Mod RHNA through production and preservation of affordable housing along with ADUs**
- **Next RHNA target likely to at least double for all income levels**

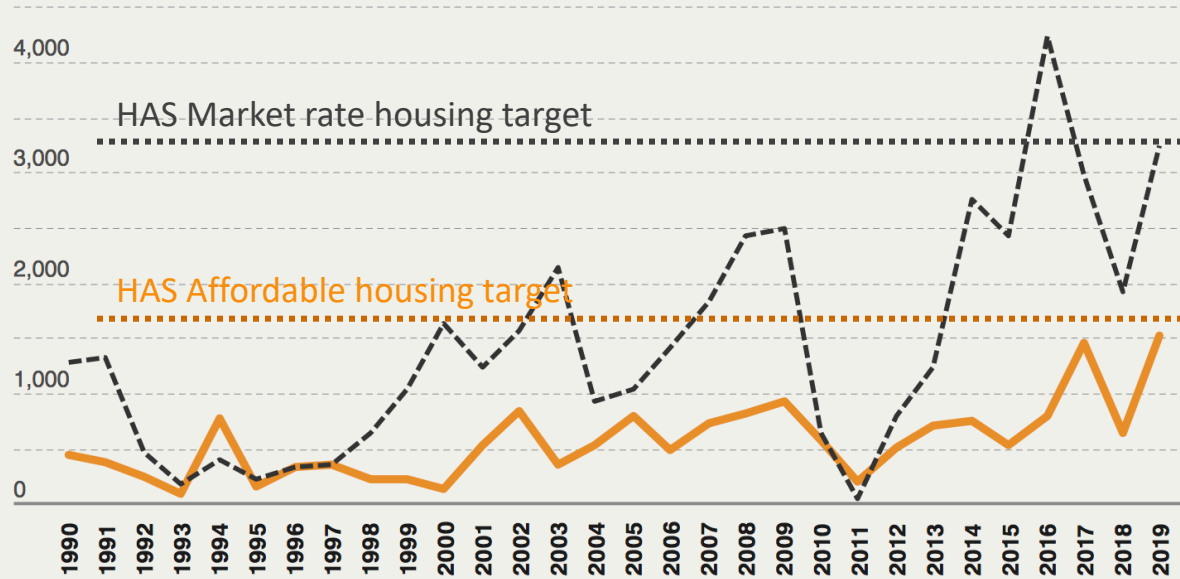
San Francisco Has Struggled to Reach Housing Targets

FIGURE 1.

San Francisco Housing Production, 1990 - 2019

— New Units
Affordable to Low or
Moderate Income

- - - Net New Market Rate
Units



Annual Investment to Produce 5,000 Units and Preserve 1,100 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

Housing Development Land Use Concepts

Planning analyzed three land use concepts to meet the City's housing targets:

- **Where could 150K housing units be built over 30 years to equitably meet the needs of our communities?**
- **What would future buildings and neighborhoods be like?**
- **How will people access jobs, services, and public facilities?**
- **How will we produce and preserve affordable housing?**

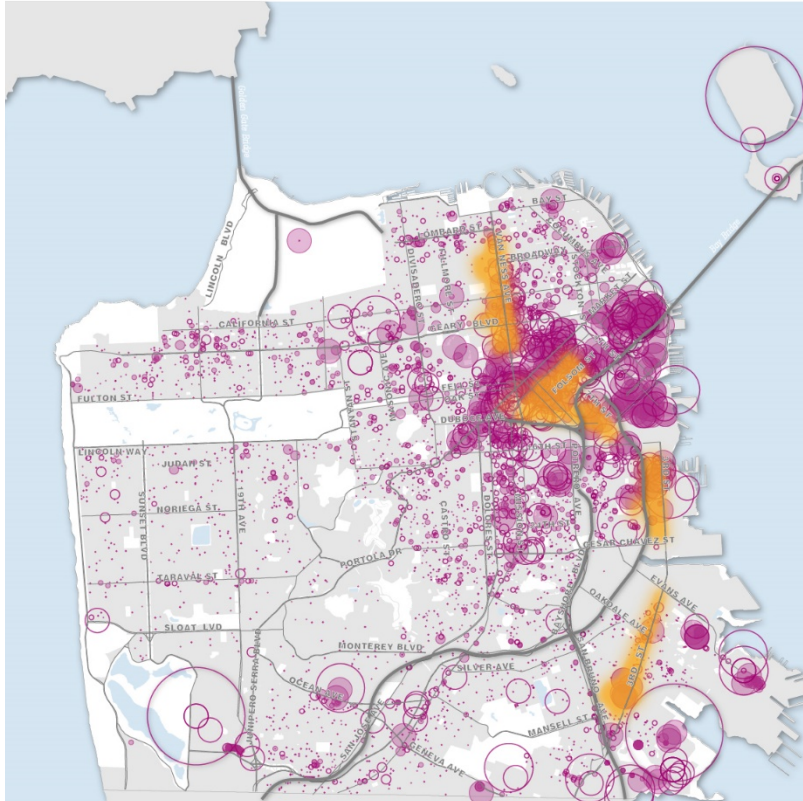
Projecting 30-year Housing Development

	Baseline	Target for 3 Concepts
New Multifamily Production – Model Estimate		
Market-rate	38,500	65,000
Inclusionary Affordable	8,300	13,000
City Funded – 100% Affordable	10,580	28,300
Large Projects/ Development Agreements		
Market-rate	29,000	29,000
Inclusionary Affordable	6,200	6,200
OCH-funded units ¹	2,500	2,500
Accessory Dwelling Units (ADUs)	6,000	6,000
Total Units	101,080	150,000
Total Affordable	27,580	50,000
% Affordable²	27%	33%

East Side Concept

Number of net units

1 2-9 10-49 50-499 500-2,999 3,000-10,000



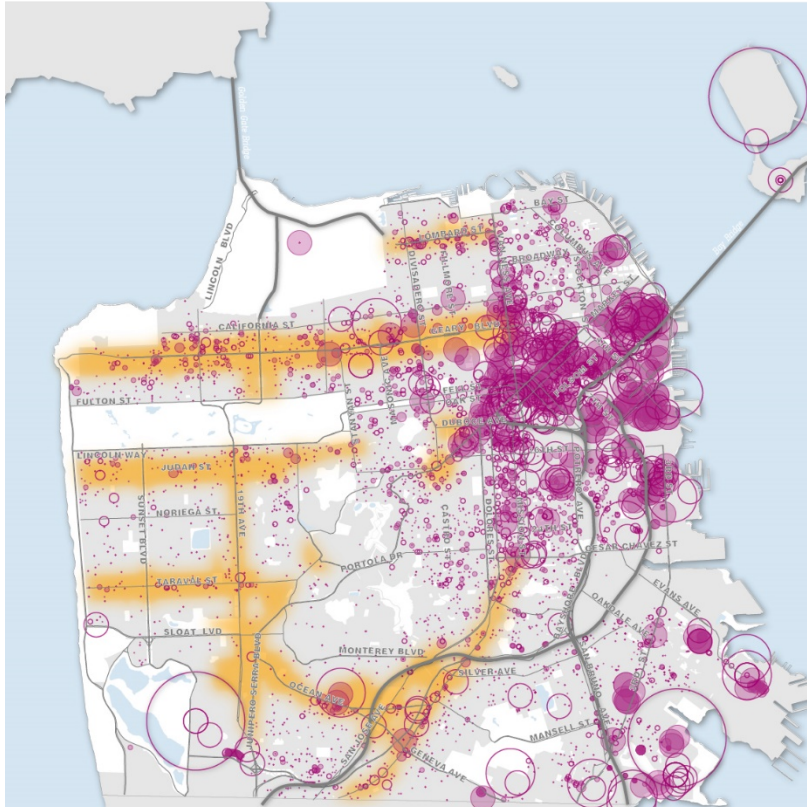
1. East Side Concept

- Focuses growth near Downtown and in PDR areas on east side
- More high rise buildings in dense, walkable neighborhoods
- More community benefits

Transit Corridors Concept

Number of net units

1 2 - 9 10 - 49 50 - 499 500 - 2,999 3,000 - 10,000



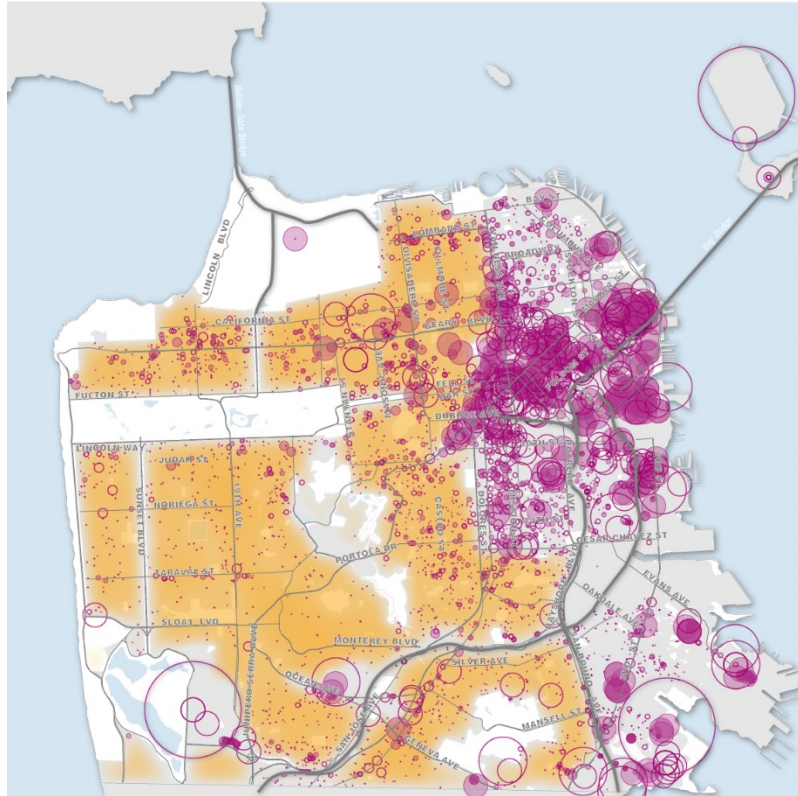
2. Transit Corridors Concept

- Growth along major transit lines that will receive improvements
- Mostly mid-rise buildings with ground floor commercial
- Intensifies services and activity on blocks near transit

Residential Growth Concept

Number of net units

1 2 - 9 10 - 49 50 - 499 500 - 2,999 3,000 - 10,000



3. Residential Districts Concept

- Allows multifamily housing in areas where it is restricted today
- Would not change height limits
- Some single family homes would shift to small multifamily buildings

Estimating the Impact of Zoning Changes

- **Regression analysis shows the extent of development related to**
 - Economic conditions, such as housing prices and construction costs
 - Site characteristics, such as existing land use and zoning designation
 - “Development potential” of individual sites (i.e., the ratio of potential building size to current size)
- **Impact of policy changes that affect allowable development can be estimated based on results of regression model**
 - For example, likely response in terms of number and location of units to be developed based on change in allowable height or maximum number of units
- **Analysis based on data for 150,000 parcels from the San Francisco housing market during the period 2001-2018**

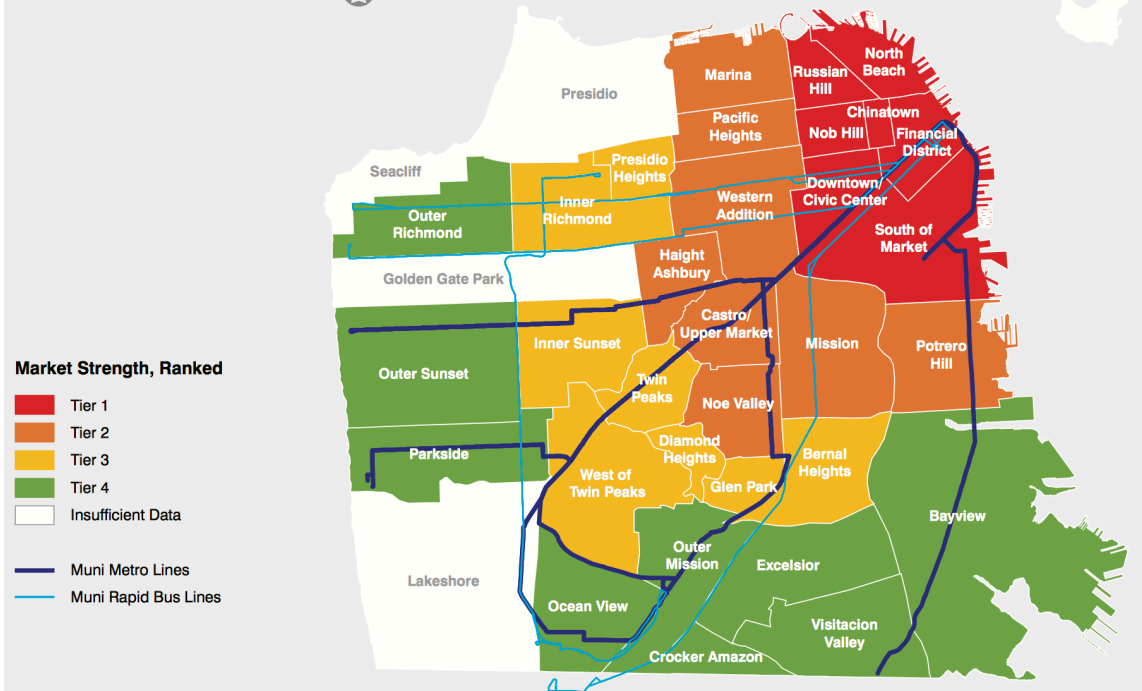
Some Key Differences Among Concepts

	Concept 1: East side Focus	Concept 2: Transit Corridors	Concept 3: Residential District Growth
Increase in Zoned Housing Capacity Over Baseline	19%	27%	41%
Share of Future Housing in Eastern 1/3 of City	75%	50%	50%
Share of 50,000 Affordable Units From Inclusionary	41%	39%	35%
Percentage Increase in Public Funds Needed for Affordable Housing	156%	167%	185%
150,000 Units Likely to Be Produced	Yes	Yes	<i>Depends partly on lower construction costs</i>

Building and Preserving Housing: Market Strength

FIGURE 8.

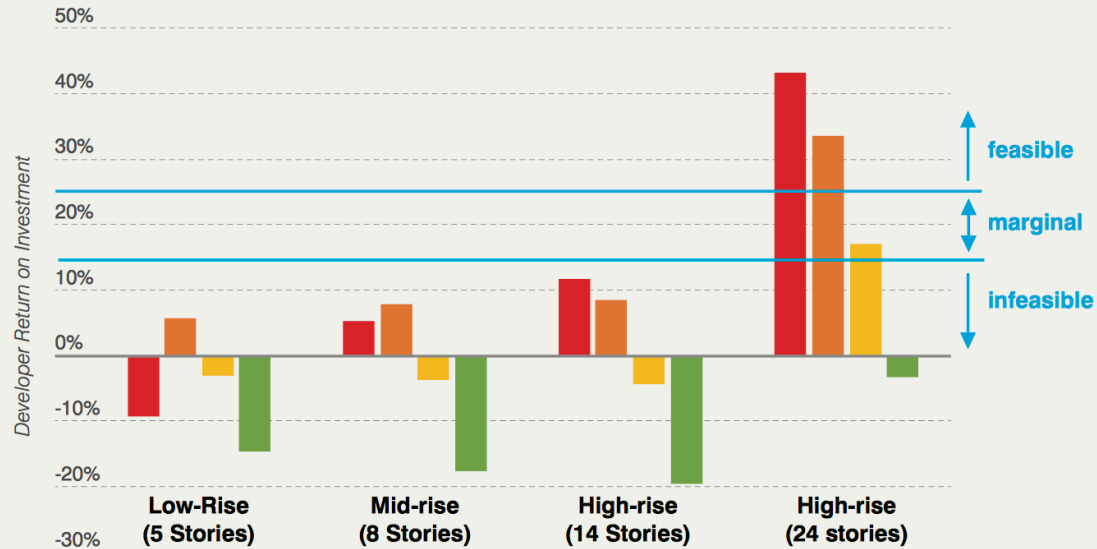
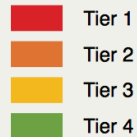
San Francisco Rental Market Strength by Neighborhood



Development Feasibility by Type and Location

FIGURE 9.

**Typical Pro Forma
Developer Return by
Building Type and
Submarket under Current
Development Cost and
Market Conditions**

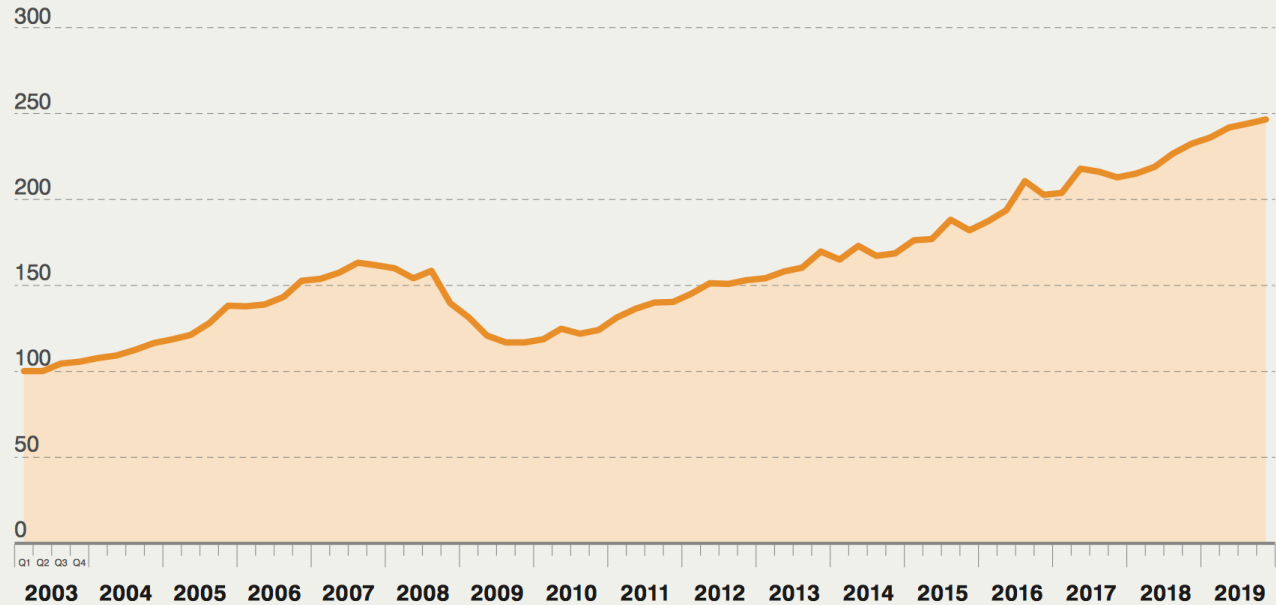


*Note: Tier 1 Downtown Core, Tier 2 Inner-Ring Neighborhoods, Tier 3 Outer-Ring Neighborhoods, and Tier 4 Western and Southern Neighborhoods

Source: Strategic Economics, 2019

Construction Costs Are a Major Factor

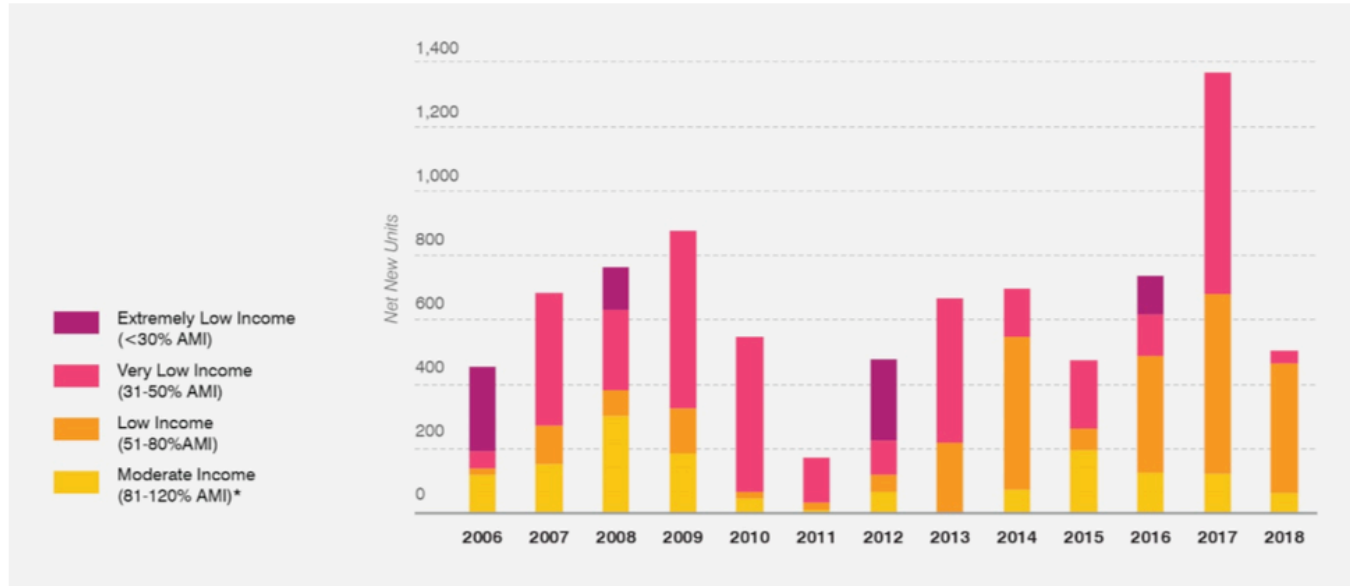
FIGURE 7.
**Construction Cost
Index**



Source: TBD Consultants,
Construction Bid Index

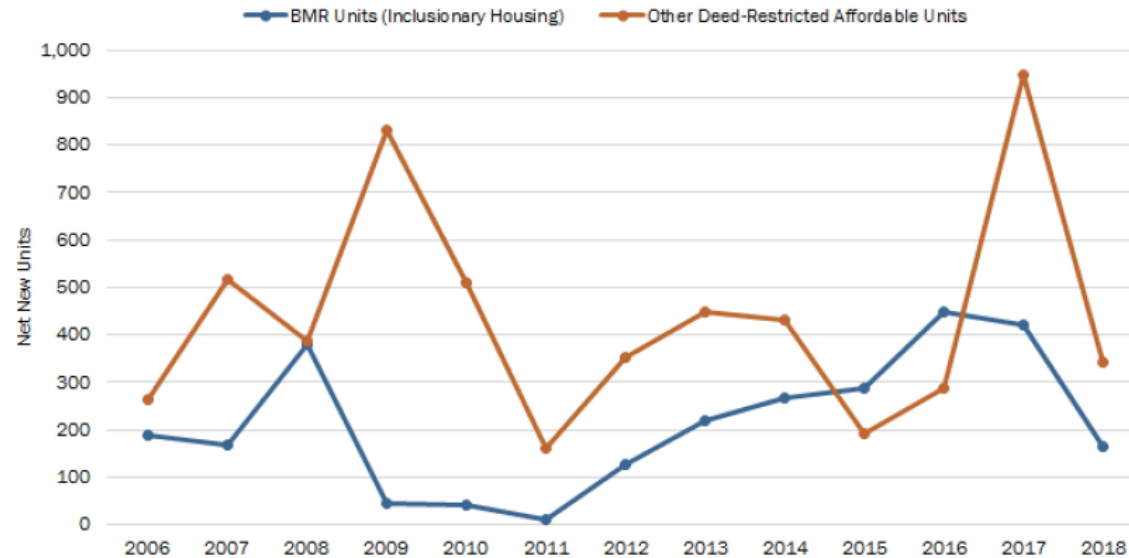
Producing and Preserving Affordable Housing

Figure 8. San Francisco Annual Affordable Housing Production by Affordability Level, 2006-2018



Producing and Preserving Affordable Housing

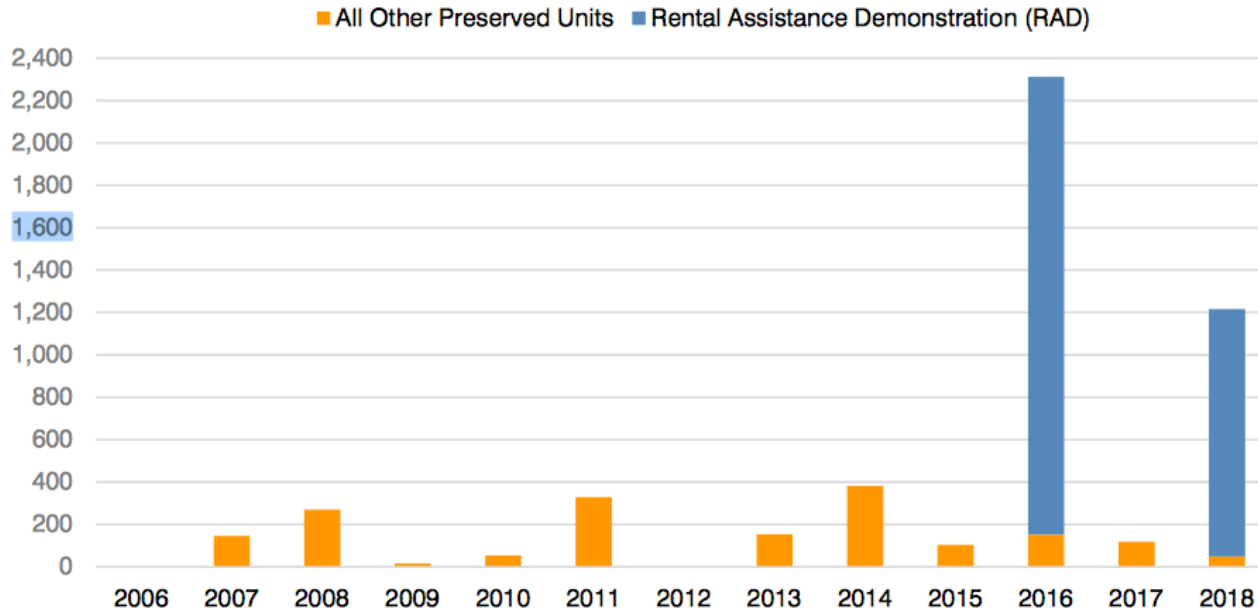
FIGURE 7. San Francisco Annual Affordable Housing Production by Housing Type, 2006–2018



Source: City of San Francisco Planning Department Housing Inventory Reports, 2006 to 2018; Strategic Economics, 2020.

Producing and Preserving Affordable Housing

Figure 15. San Francisco Annual Affordable Housing Preservation, 2006–2018



Local Funding Is Key to Leverage Other Sources for New Affordable

Figure 13. Average Funding Stack for a Sample of Affordable Housing Projects in San Francisco

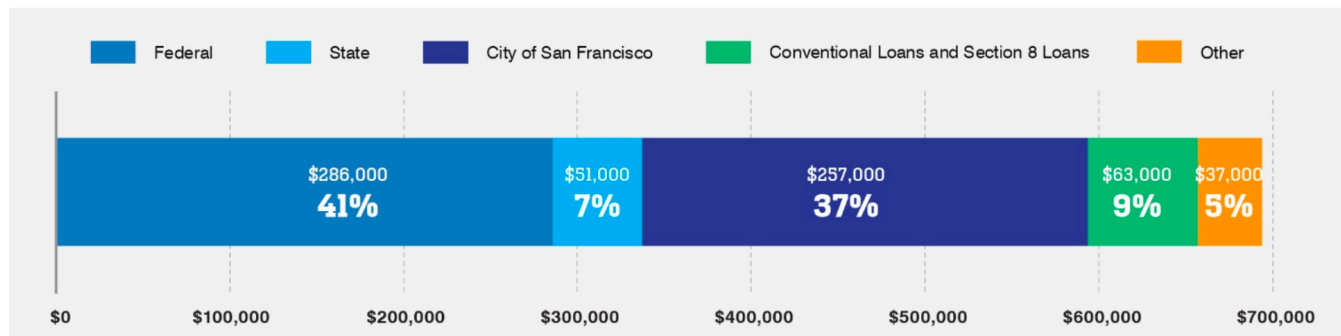
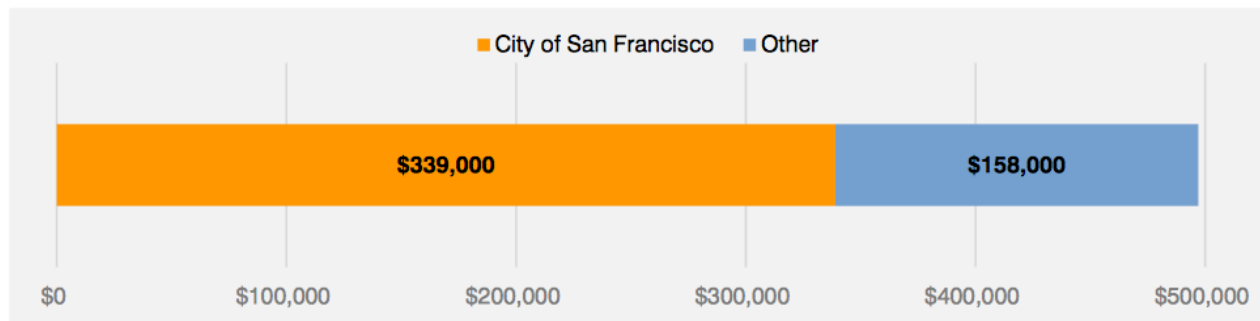


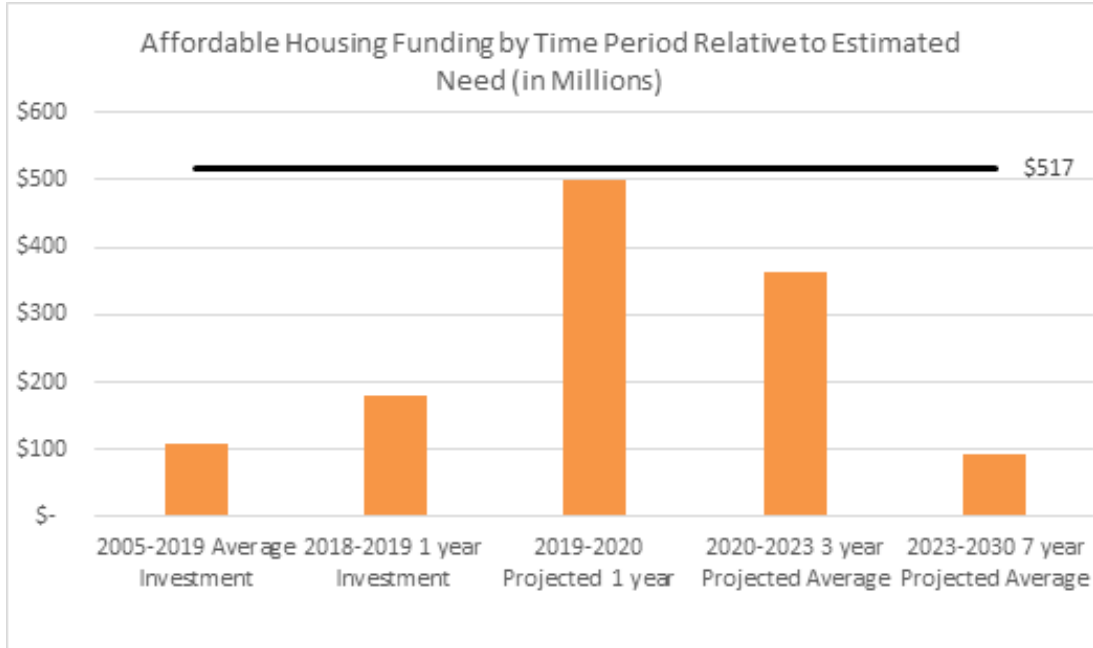
Figure 16. City of San Francisco Small Sites Program/Preservation Acquisitions: Average Funding Stack



Help to Lower Housing Development Costs

- **Support lower constructions costs**
 - **Facilitate the use of new construction technologies can reduce costs 15-30%**
 - **Work with CBOs, labor, and workforce development organizations to grow the skilled construction labor pool**
- **Streamline approvals and permitting**
- **Consider fee reductions**

Sustaining and Expanding Affordable Housing Funding Is Key

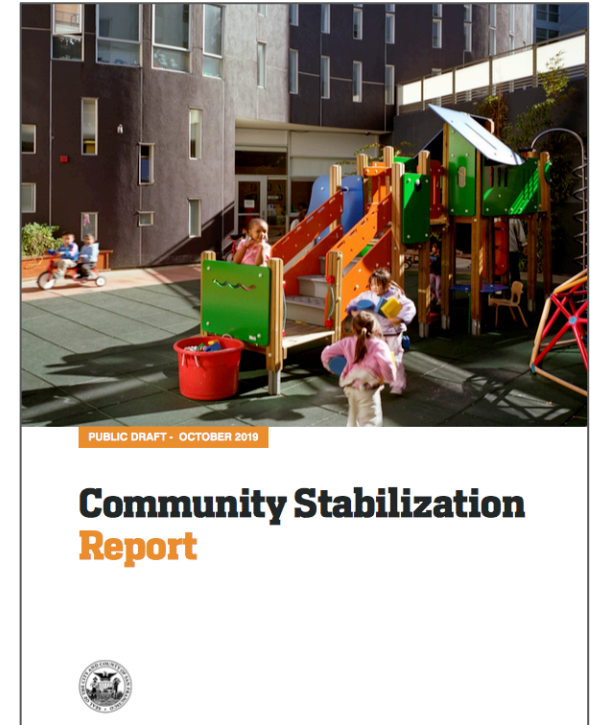


- **City will need \$517 million annually for affordable housing (in 2020 dollars)**
- **We were nearly there in 2019/2020**
- **Will need to sustain/expand funding sources**
- **Advocate for federal and state assistance**

Protect Vulnerable Residents and Stabilize Existing Housing

Builds on Community Stabilization Initiative and other City and Nonprofit work:

- **Expand tenant services including legal assistance, outreach, and education**
- **Expand rental assistance programs**
- **Expand housing outreach and services for vulnerable populations, particularly the Black community**
- **Focus housing investments to implement Cultural Districts and preserve housing serving vulnerable residents**



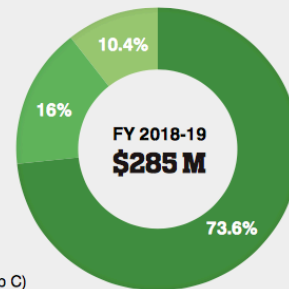
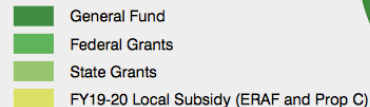
Dept. of Homelessness and Supportive Housing Investment

HSH manages City's funding in shelters and supportive housing for people who are currently or formerly homeless

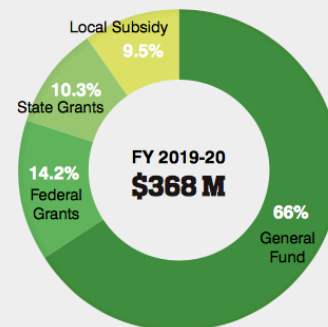
Maintaining and expanding funding for homelessness services and supportive housing will be key in addition to affordable housing

FIGURE 18.
HSH FY 2018-19 and FY 2019-20
Operating Budget

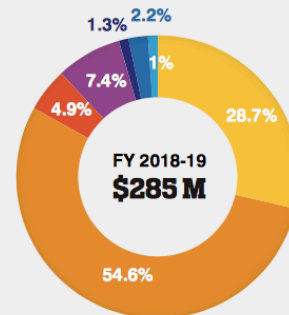
Funding by Source



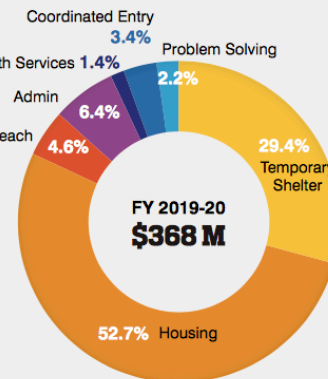
FUNDING



Expenditures by Type



EXPENDITURE



Winter 2020 Community Focus Groups

167

INTERVIEWEES

48

PARTICIPANTS

3

LANGUAGES

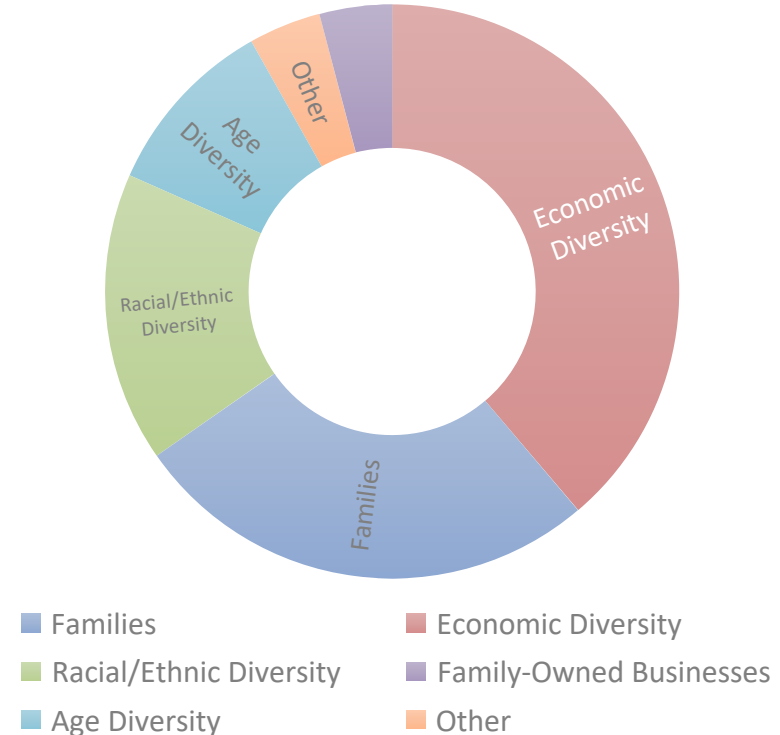


Winter 2020 Community Focus Groups

Social Priority Choices

	Families	Economic Diversity	Racial/Ethnic Diversity	Family-Owned Businesses	Age diversity (seniors, youth, middle-aged residents)	Other: Accessibility	Other: LGBTQ Diversity
Chinese Language Group	5	6	0	0	0	0	0
Spanish Language Group	3	3	0	2	2	0	0
English Group Western Addition Focus	2	2	2	0	1	0	0
English Group Morning	1	3	4	0	1	1 (easy access to transportation and accessibility for persons with disabilities)	0
English Group Afternoon	2	5	2	0	1	1	1

Social Priorities

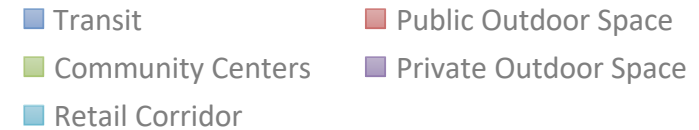


Winter 2020 Community Focus Groups

Physical Priority Choices

	Transit (Public, Sidewalks & Bike lanes)	Outdoor Space (Parks, Trees & Parklets)	Community Service Centers (Senior services, Clinics, Community Centers)	Private Open Space (Patios, Courtyards & Rooftops)	Retail Corridor Access to Local Jobs, Local Shops, Local Restaurants (Ethnic), Grocery Stores, Farmer's Markets
Chinese language Group	3	1	1	1	4
Spanish Language Group	3	2	2	0	3
English Group Western Addition Focus	1	2	2	1	1
English Group Morning	3	2	3	0	2
English Group Afternoon	3	1	3	0	3

Physical Priorities



Winter 2020 Community Focus Groups

East Side Focus



The majority of participants expressed support for additional building on the East Side as long as these new builds considered:

- public transportation
- earthquakes
- sea level rise
- environmental issues
- did not disrupt the skyline

Winter 2020 Community Focus Groups

Next Stop Home



This concept was well-received by participants; it made sense to them to build along transit corridors.

Concerns:

- Transit needs to improve, quickly
- Family-owned businesses may be at risk of being priced out

Benefits:

- Revenue to small business along the corridors
- More job opportunities
- Minimize reliance on cars

Winter 2020 Community Focus Groups

Residential Neighborhood Growth



SF Natives expressed the most interest in this concept, especially those with school-aged children.

Concerns:

- Quantity
- Costs and distrust in government spending
- Time

Benefits:

- A new choice in affordable housing type
- May help keep families in the City

Winter 2020 Community Focus Groups

"Thank you so much for this opportunity to speak. I was ready to move out of San Francisco before this discussion. I'm now re-thinking my position knowing that SF does care about people and community. I'm very grateful for today!"

-Sunset Resident

"I don't know how you found me, but I have never received an invitation to participate in anything like this before. The public meetings in the Fillmore are always happening when I am at work, and that makes me think they don't really want to hear from me. Anytime you need my input or help to spread the news to members in my community, you just let me know."

-Fillmore Resident

Housing Recovery Strategies for Pandemic and Economic Crisis

Planning is working with policymakers, the public, and City agencies on housing recovery strategies in response to the pandemic. In collaboration with City agencies and consultants, Planning has identified four potential areas of work:

- **Avoid a longer-term eviction, debt, and foreclosure crisis**
- **Continue to increase shelter capacity and prevent an influx of households entering homelessness**
- **Ensure the city continues to build new housing**
- **Increase public investment to lock in affordability for the future**

Summary of Key Long Term Affordability Strategies

The City's approach to improve affordability in the future will depend on decisions by policy makers and the public. Key long term strategies include:

- 1. Increase housing development potential with a focus on equity**
- 2. Support lowered construction costs and streamline approvals and permitting and fees**
- 3. Sustain and expand affordable housing funding**
- 4. Protect vulnerable residents, stabilize housing, and continue homelessness services expansion**

Thank you!

Key links and contacts for the Housing Affordability Strategies

The Housing Affordability Strategies webpage includes all reports, analysis, and community feedback for the project.

- **Project Web Page:** <https://sfplanning.org/housing-affordability-strategy>
- **See the Supporting Info tab of the webpage for all publications:**
 - Housing Affordability Strategies Report and Executive Summary
 - Policy White Papers
 - Community Feedback Summary
 - And More
- **For questions please contact James Pappas, Project Manager:** james.pappas@sfgov.org