

DISTRICT 8

HOUSING OPPORTUNITIES REPORT



NOTE FROM DISTRICT 8 SUPERVISOR RAFAEL MANDELMAN



“It's an odd thing, but anyone who disappears is said to be seen in San Francisco. It must be a delightful city and possess all the attractions of the next world.”

- Oscar Wilde

San Francisco has long been known as a city of new beginnings, a destination for dreamers and doers ready to make a new start and maybe change the world. Harvey Milk, whose seat I hold on the Board of Supervisors, was one such San Franciscan. But what would have happened if Harvey and his partner Scott Smith had arrived in San Francisco in

2021, rather than the San Francisco of the 1970s?

It seems more likely than not that, after snapping some photos of the Golden Gate Bridge, enjoying the views from the top of Twin Peaks and maybe taking a ride on the Ferris Wheel in Golden Gate Park, they would have concluded that the rent here is just too high and set off to find a more affordable place to make their home and their mark.

It's an unsettling hypothetical, but not as unsettling as the reality for many of Milk's contemporaries, the folks who lived through and helped make the social revolutions of the seventies, eighties and nineties, who have now been priced out of our City by the Bay or are hanging on by their fingernails in a rent-controlled unit, their only protection from being exiled from San Francisco in their golden years. Or the reality of too many young people who still flock to San Francisco looking for the queer Oz that Harvey made, only to find themselves sleeping in a doorway.

Some of the very same factors that made District 8's neighborhoods a destination for new arrivals in Harvey's time have made it especially susceptible to the housing crisis. Great weather, iconic parks and views and beautiful buildings have long drawn residents and visitors to the Castro, Duboce Triangle, Noe Valley, Glen Park and the Mission. And that in turn has driven waves of displacement that have given District 8 the dubious distinction of being the supervisorial district with the second highest rate of no-fault evictions in San Francisco.

The challenges of displacement have been compounded by the fact that District 8 has not seen the same levels of new housing development, either affordable or market-rate, as other areas of the city. This limits the housing opportunities available to our families, seniors, artists, working people and young people.

For all these reasons, creating and preserving affordable housing in District 8 has been among my highest priorities since taking office. In November 2019, we passed a \$600 million bond to fund new affordable housing that included dedicated funding for neighborhoods like those in District 8, which face both limited affordable housing production as well as a high number of housing units removed from protected status by evictions. In April 2020, the City invested \$12 million to acquire a union hall site at Duboce and Market for a major new affordable development, where we are working to get as many LGBTQ-affirming senior affordable units as we can. In the City's 2020 budget, I set aside funds to pay for this analysis of ways to preserve and build affordable units in District 8.

My staff and I will continue to work hard to bring more investment to rehabilitate and preserve existing housing, and to construct new affordable units in District 8 neighborhoods.

COVID-19 NOTE

This report was initiated prior to the COVID-19 pandemic. As circumstances have rapidly changed, the project team has sought to evaluate potential strategies through the lens of near-term impacts and trends, while maintaining a focus on recommendations for long-term housing affordability. Temporary local and state eviction moratoriums are providing some relief for tenants, while declining demand has resulted in an average decrease in rents across the city. It remains to be seen whether these trends will continue, and whether they will impact District 8 proportionally. The strategies and recommendations highlighted in this report nonetheless respond to the underlying housing trends of recent years and point to near and long-term policy interventions, even as the full impacts of COVID-19 continue to unfold.

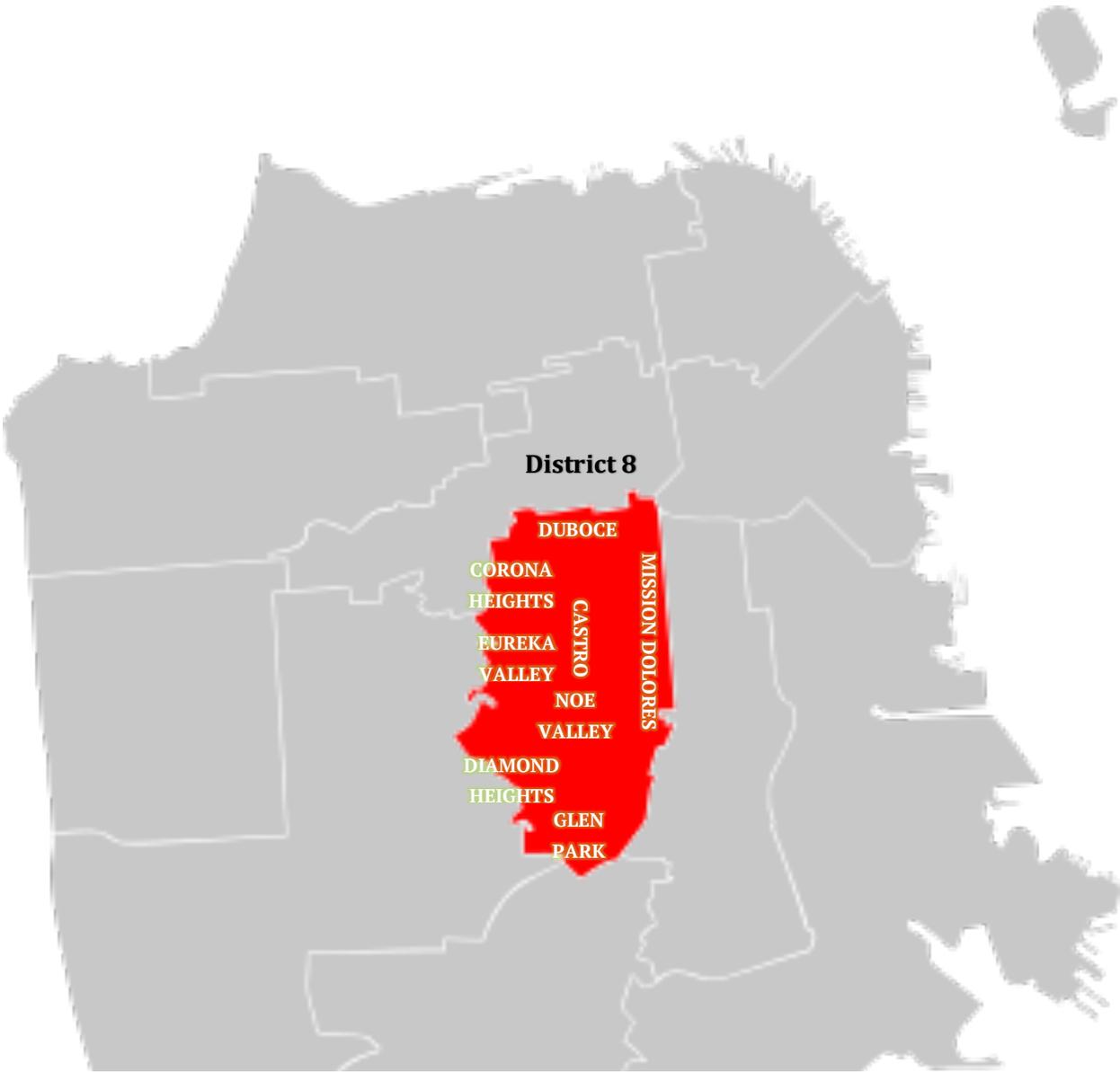
ACKNOWLEDGMENTS

This report is a collaboration between Supervisor Mandelman's office and the Mayor's Office of Housing and Community Development, with consultation and analysis by Street Level Advisors, a strategy and innovation firm focused on equitable and inclusive urban development.

The authors would like to extend special thanks to Housing and Community Development Director Eric Shaw, and former Director Daniel Adams, as well as to Amy Chan, Director of Policy, and James Pappas at the San Francisco Planning Department, and to the many housing policy experts who contributed their insights to this report.

This report was prepared by Rick Jacobus, Principal Consultant, and Jonathan Ostar, Consultant, of Street Level Advisors.

DISTRICT 8 NEIGHBORHOOD MAP



CONTENTS

The **Introduction** of this report provides a brief history of the land that today comprises District 8, including a land acknowledgment and description of the emergence of the area’s established communities.

Section One of this report is the **District 8 Community Profile**, providing a current snapshot of the district’s demographics and key findings, including the following:

- ❑ People demographics,
- ❑ Housing demographics, including existing affordable housing, and
- ❑ Land use and development characteristics, including zoning, the housing pipeline and areas of opportunity for future development.

Section Two of this report is a description of **Housing Challenges and Opportunities** in District 8, including the following:

- ❑ Existing barriers to housing affordability and security, and
- ❑ Potential strategies for District 8, including strengthening existing citywide policies, to further develop and preserve affordable housing and protect housing opportunities.

Appendices to this report include the following:

- ❑ Sample Request for Proposals (RFP) for Small Sites Program Capacity-Building in District 8
- ❑ Sample Scope of Work (SoW) for Targeted Opportunity Site Inventory & Evaluation in District 8
- ❑ Sample Infill Affordable Homeownership Program Description (PD) for the City

Maps depicted in this report include the following:

- ❑ District 8 Boundary Map, page 3.
- ❑ Rent-Controlled Housing Units in District 8, page 14.
- ❑ Residential Zoning in District 8, page 17.
- ❑ Height/Bulk Zoning in District 8, page 18.
- ❑ Faith-based Institutions in District 8, page 27.

INTRODUCTION

Located in the central part of San Francisco, Supervisorial District 8 is made up of some of San Francisco's most distinctive and inclusive neighborhoods, such as the Castro, Eureka Valley, Duboce Triangle, Noe Valley, Corbett Heights, Diamond Heights, Glen Park and parts of Mission Dolores and Twin Peaks.

A brief history: before San Francisco's European settlement, most of the land in today's District 8 was home to the Costanoan and Ohlone tribes, desirable for its natural springs and protective hills. In 1776, the Spanish founded Mission Dolores (originally named for San Francisco de Asis), and the restored church remains the oldest intact building in the city. Much of the land was granted to ranchers and families who had been living in California before Mexico declared its independence from Spain, and the area was previously known as Rancho San Miguel, and later, Horner's Addition.

Starting in the late 19th century, the land became the new home of successive waves of European immigrants who established working class neighborhoods in the area that is now Eureka Valley and Noe Valley. These flourishing communities have undergone significant transformation over the last hundred years, along with the emergence of distinct neighborhood identities.

In the 1960s and 70s, the Castro became one of the most prominent LGBTQ communities in the world, and it remains so today. Duboce Park was established in 1900 and became a focal point for community safety and Civil Rights in the 1960s and 70s. Dolores Park was the site of two Jewish cemeteries before the land was purchased for use as a public park, though its first public use was as a refugee center after the Great Earthquake and Fire of 1906. The land around Glen Canyon Park was a vacation resort area known as "Little Switzerland" before being transformed into a residential neighborhood after the 1906 earthquake. Noe Valley, the "Village within the City," is today one of the more popular neighborhoods in the entire city.

Like the broader San Francisco community, District 8 is home to many families, both with and without children, seniors, and people from all backgrounds. The mix of people living in District 8 has also become wealthier over time, and less racially and ethnically diverse. And yet despite these trends, residents of District 8 are also impacted by the current housing crisis, both directly and indirectly, with significant risk of displacement and housing insecurity.

This District 8 Housing Opportunities Report is meant to provide a basis for ongoing housing policy discussions, highlighting key characteristics and trends in the district relative to the city as a whole, along with potential policies and opportunities that will help existing residents and create more housing that is more affordable to everyone. This was needed before the current coronavirus pandemic, and it is only more critical since. Housing stability and security is perhaps the single greatest factor in determining our opportunity for positive, healthy lives.

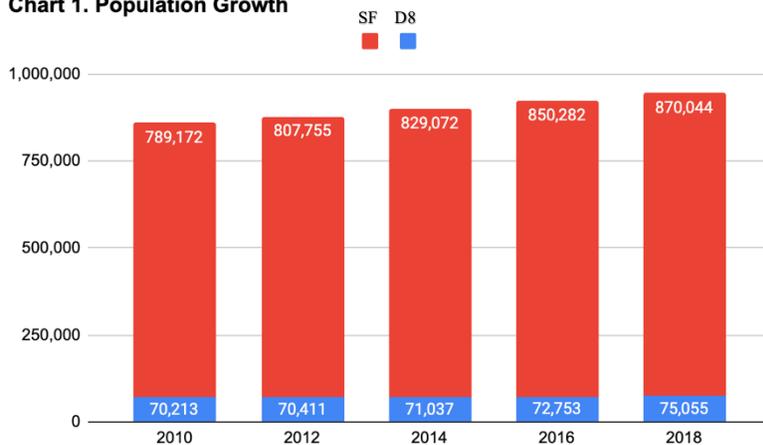
I. DISTRICT 8 COMMUNITY PROFILE

To begin addressing the housing needs for all residents of District 8, we first need to understand who currently lives in the district, along with demographic trends and consideration for how the district compares to the rest of the city. Unless otherwise noted, *all residential demographic data in this section is based on the American Community Survey 2018 five-year average, the most recent data set available.*

A. PEOPLE

As of 2018, District 8 was home to 75,055 residents, out of a total San Francisco citywide population of 870,044, representing approximately 8.6% of all the people in the city.

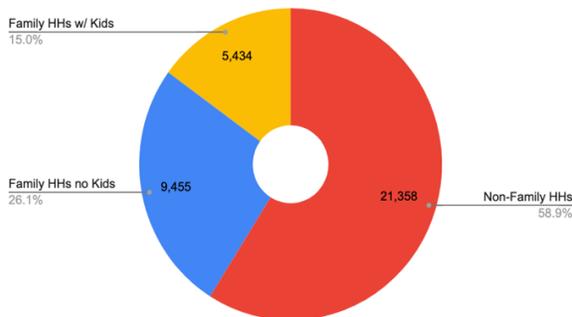
Chart 1. Population Growth



District 8's population is growing at a slightly slower rate than the city overall (6.9% to 10.2%).

Not all areas of the district grew at the same rate, however. Most of the gains since 2010 (between 20-30%) have been centered around Castro St. south of Market and west towards Twin Peaks. Duboce Triangle (-4.7%) and the Liberty Street area of the Mission (-13.4%) lost significant population since 2010.

Chart 2. District 8 Households

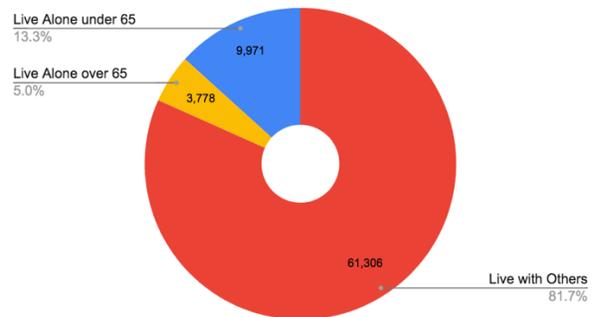


District 8 had 36,247 Households in 2018, of which 15% were families with children, comparable to the citywide average of 16.8%.

However, residents of District 8 are more likely than citywide residents to live with someone who is not their relative (17.2% versus 14.6% of all people), including an unmarried partner (5.8% versus 3.3%).

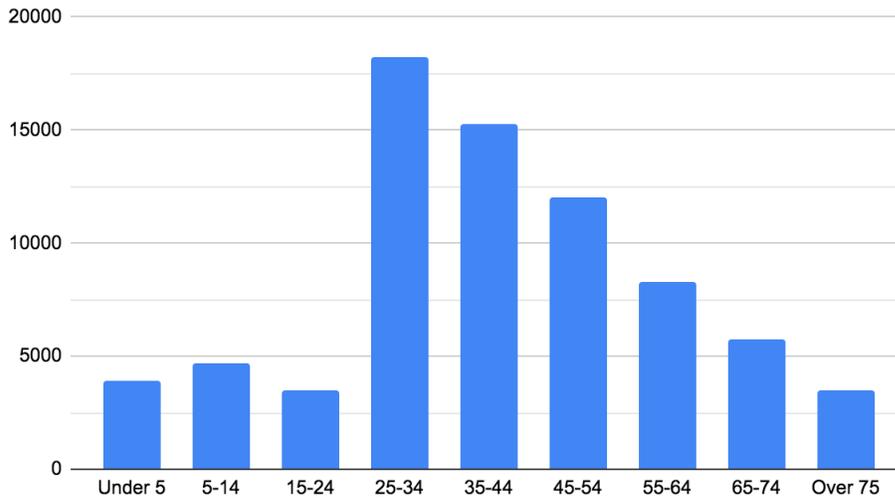
*The Census defines a **family household** as a group of two or more people (at least one of whom is the householder), related by birth, marriage or adoption, occupying a single housing unit as their usual place of residence.*

Chart 3. District 8 Residents



Approximately 3,778 people, just over 5% of all District 8 residents, are Seniors (65 and over) living alone, half the citywide average of 10.7%.

Chart 4. Age Breakdown of District 8 Residents



As of 2018, the majority of District 8 residents (just over 60%), are between the ages of 25 and 54 years old. This exceeds the percentage of all San Franciscans in this age range (52.4%).

The median age across the city (38.2 years old) and in District 8 (40.4) are comparable.

District 8 has a greater percentage of male residents than the city overall (56% to 51%), with the highest percentages found in the Castro/Upper Market neighborhoods. This corresponds to a similarly higher percentage of male residents over the age of 65 (49.5% to 45%), also in and around the Castro District.

Chart 5. Gender Breakdown in District 8 - all Residents

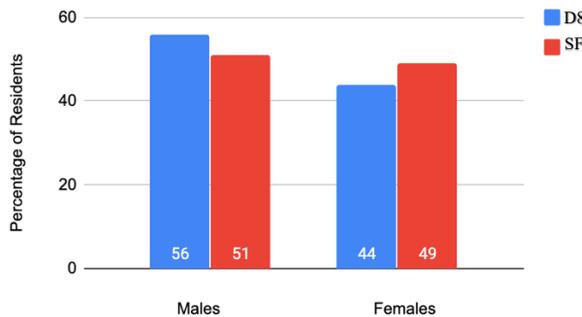
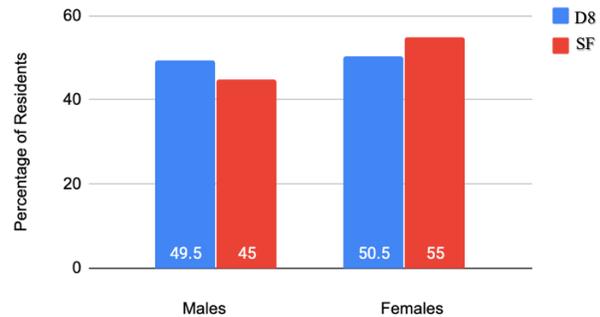


Chart 6. Gender Breakdown in District 8 - Residents over 65



It is critical to note, however, that this gender data *does not account for Transgender and Non-Binary individuals*. The Census does not collect data on Sexual Orientation and Gender Identity (“SOGI”), and there is currently no reliable source of public data on the distribution of LGBTQ households across SF supervisorial districts. Citywide, the Mayor’s Office of Housing and Community Development (MOHCD) tracks SOGI data provided by applicants of its services and programs, and in FY2018-19, between 9% and 14% of applicants self-identify as LGBTQ. The percentages of applicants from District 8 is likely higher.

Table 1. People with Disabilities in District 8 and San Francisco.

	% of all People with Disabilities	% of People under 18 with Disabilities	% of People 18 to 64 with Disabilities	% of People 65 and over with Disabilities
District 8	8.4%	1.5%	5.4%	34%
San Francisco	10.3%	2.4%	6.6%	35.5%

District 8 has a slightly lesser percentage of individuals with disabilities than San Francisco as a whole, though a significantly high percentage of seniors with disabilities in the district (61.6% of residents over 65) live just south of Duboce Triangle, from Market to 21st Streets, between Dolores and Castro Streets.

Chart 7. Race/Ethnicity of District 8 Residents

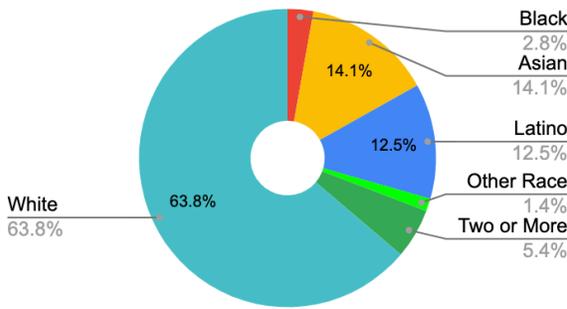
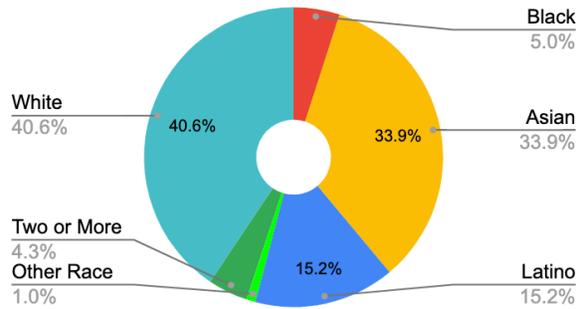
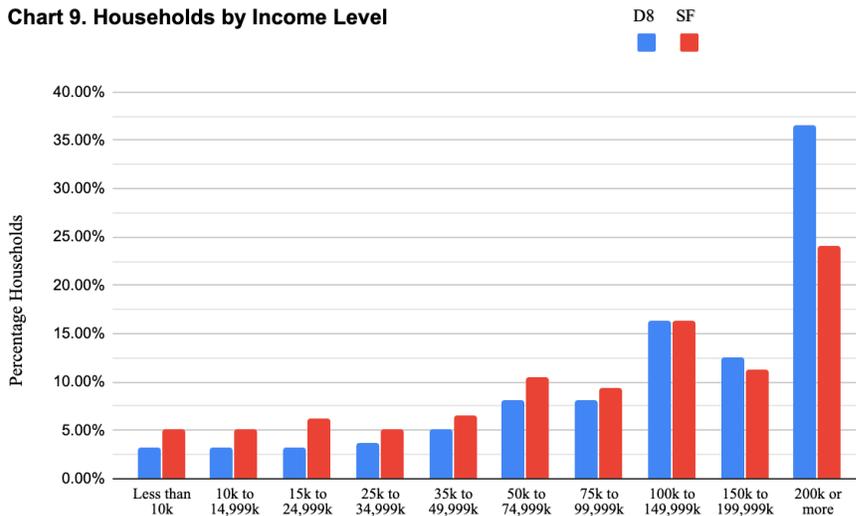


Chart 8. Race/Ethnicity of SF Residents



District 8 is less racially and ethnically diverse than the city overall. Almost two-thirds (63.8%) of all District 8 residents identify as white, compared to only 40.6% of all San Franciscans. District 8 has approximately half the citywide average of Black and Asian residents, and slightly less than the citywide average of Latinx residents. However, the district has more people that identify as another race (i.e., Native American, Pacific Islander, Other), or two or more races, than the citywide average.

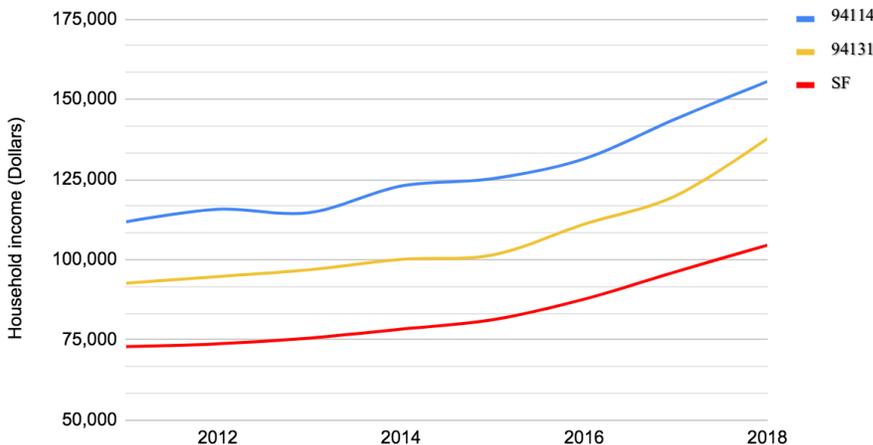
Chart 9. Households by Income Level



District 8 has a greater percentage of wealthier households than the city overall, with over one-third of all households (36.5%) earning more than \$200,000 per year, compared to only about one-quarter (24.1%) of all households citywide.

Chart 10. Household Income Over Time in D8 and SF

Median household income in D8 zip codes and citywide over past decade.



Households have steadily become wealthier across the city for some time; District 8 is no exception. But recently, since 2016, median household income in D8 has increased at a faster rate than the city overall.

In 2018, for the first time, the median household citywide earned over \$100,000 per year.

Chart 11. Unemployment Rate in District 8

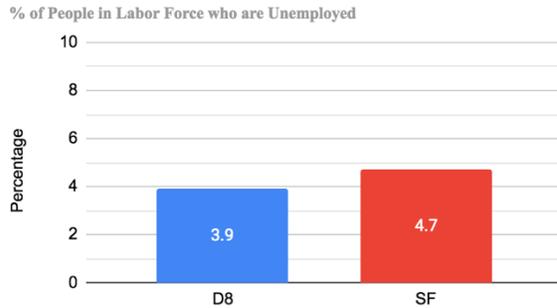
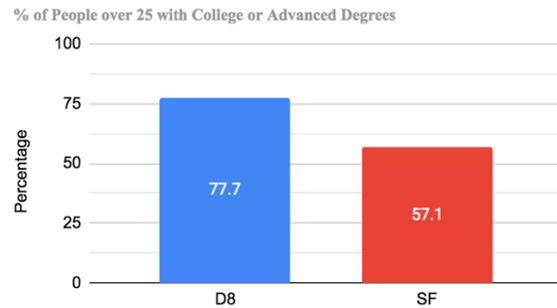


Chart 12. Educational Attainment in District 8



District 8 residents enjoy higher levels of employment and educational attainment than San Franciscans overall. Out of the total population in the labor force, District 8 residents have a lower unemployment rate (3.9% to 4.7%) and a higher percentage of people over 25 with bachelors or advanced degrees (77.7% to 57.1%).

Chart 13. Family Households Below Poverty Line

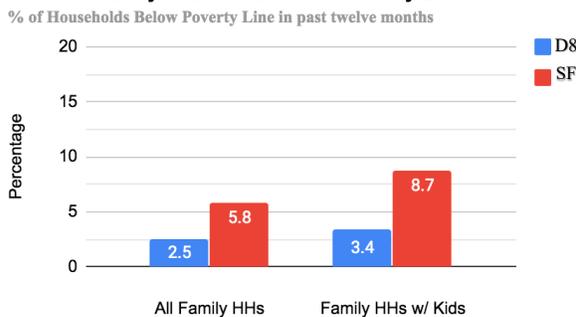
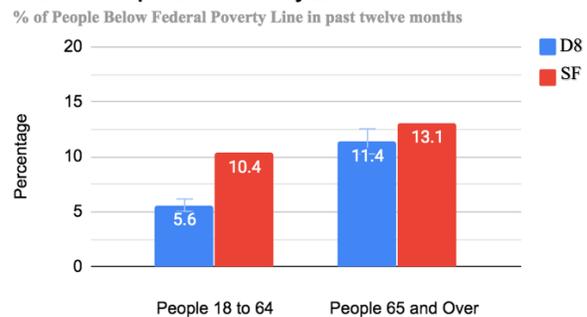


Chart 14. People Below Poverty Line



District 8 residents are generally more economically secure than San Franciscans overall. Significantly fewer of all family households and family households with children in District 8 have experienced poverty in the past year as compared to the city overall. Similarly, fewer adults over 18 and seniors 65 and over in District 8 were living in poverty in the past year as compared to the city overall.

However, a significantly high percentage of seniors (18% to 24%) living between Castro and Dolores Streets, south of Market to 22nd, were living below poverty levels, well over the citywide average (13.1%).

KEY FINDINGS

- ❑ Residents of District 8 are generally less racially and ethnically diverse (whiter), and more economically secure (wealthier), with greater access to opportunities (education, jobs, privilege).
- ❑ Since 2016, the median income for District 8 households has grown faster than the city overall.
- ❑ District 8 has a greater share of men, and men over 65, than the city overall, mostly in the Castro.
- ❑ District 8 has more residents who identify as “two or more races” than the city overall.
- ❑ The highest percentage of family households, and households with children under five years old, are located in the Glen Park and Diamond Heights neighborhoods.

B. HOUSING

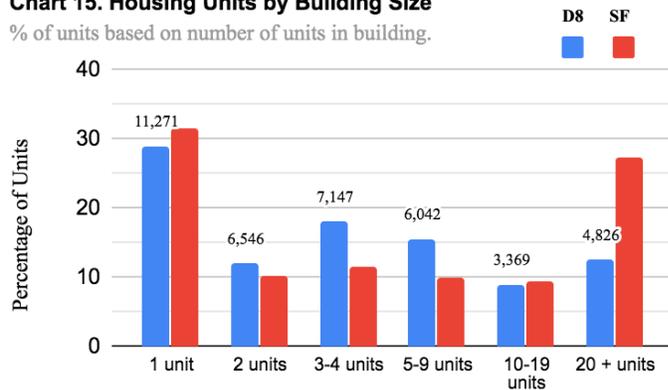
As of 2018, there were 39,314 total residential housing units in District 8, representing approximately 10% of all residential housing units citywide. District 8 has a higher homeownership rate than the city overall (42.5% to 37.6%), with a correspondingly lower rate of renters (57.5% to 62.4%), consistent with the relatively higher income levels in the district.

Table 2. District 8 Housing Stock Demographics.

	Total Number of Housing Units	Number of Occupied Housing Units	% of Renter-Occupied Housing	% of Owner-Occupied Housing
District 8	39,314	36,247	57.5 %	42.5%
San Francisco	393,975	359,673	62.4%	37.6%

Chart 15. Housing Units by Building Size

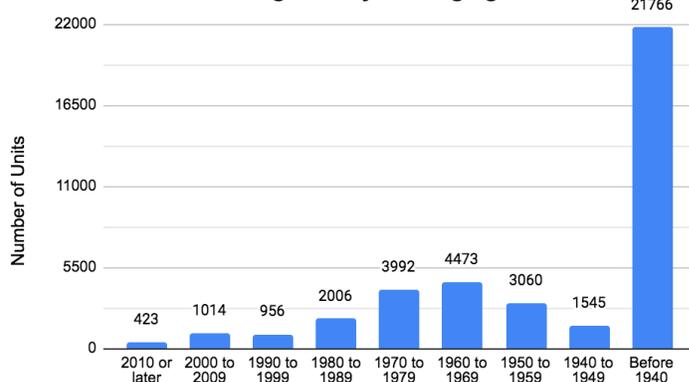
% of units based on number of units in building.



A plurality of District 8 housing units (28.8%) are located in single-unit structures (both attached and detached), which is comparable to the city average (31.6%).

District 8 has significantly more units located in smaller buildings with 2 to 9 units (50.2%) than the city average (31.4%), though the district has far fewer units in larger buildings with 20 units or more (12.3% to 27.3%).

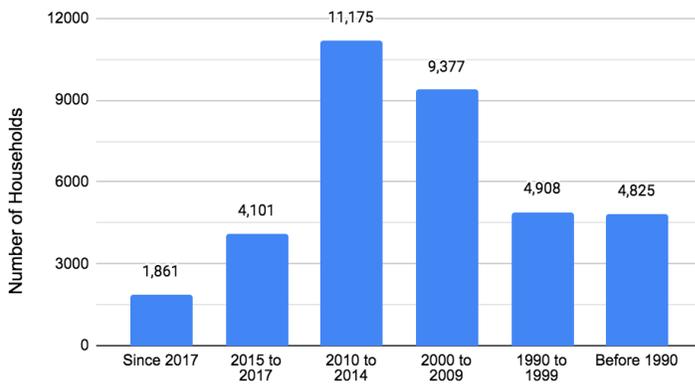
Chart 16. District 8 Housing Units by Building Age



A majority (55.4%) of housing units in District 8 are in buildings built before 1940. Only 6% of all residential buildings in the district were built in the past thirty years (post-1989), compared to the citywide average of 13.8%.

District 8 has a greater share of units in buildings that were constructed in the 1960s and 1970s than the city overall. These 60s and 70s buildings are largely concentrated in the Glen Park neighborhood.

Chart 17. District 8 Households by Move-in Year

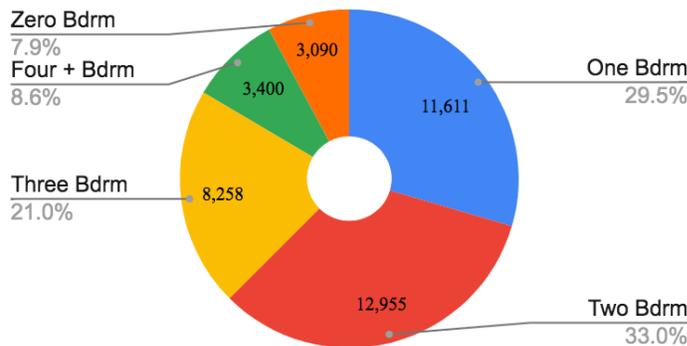


District 8 households have lived in their units a similar length of time as compared to households across the city (based on occupied housing units), with a virtually identical distribution. As of 2018, only 5% of all households reported moving into their unit within the previous year, with the highest percentage (10.3%) of new residents since 2017 living in Noe Valley.

District 8 has more longer-term residents than the city overall, with 26.8% of households living in their home since before 2000, well above the city average of 14.5%. Glen Park has the highest concentration of residents living in their homes since before 1990.

This data does not account for households that moved between units within the same neighborhood or district, nor does it reflect all individuals within a household, especially relevant for non-family households.

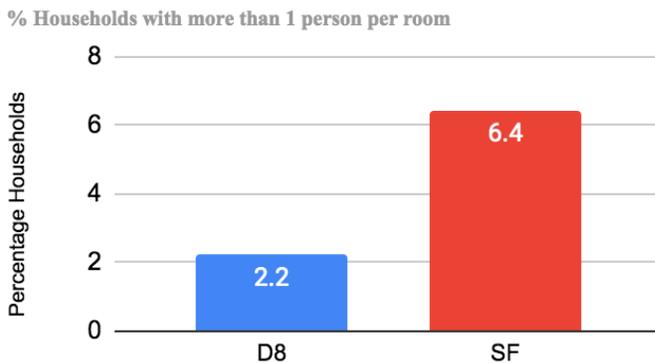
Chart 18. District 8 Housing Units by Bedroom Number



District 8 has a balanced distribution of housing units by number of bedrooms, with approximately 30% each of one-, two- and three-or-more bedroom units. While District 8 has fewer studio units than the city as a whole (7.9% to 14.9%), it has more one-bedroom units (29.5% to 25.8%).

Glen Park and Diamond Heights have the highest concentration of units with three or more bedrooms in the district.

Chart 19. Overcrowded Households in District 8



District 8 residents enjoy a much lower rate of overcrowding than citywide. As of 2018, only 787 households in the district experienced overcrowding (per HUD definition, more than one person per room). This is just 2.2% of the district's 36,247 total households, well below the city average of 6.4% of all households.

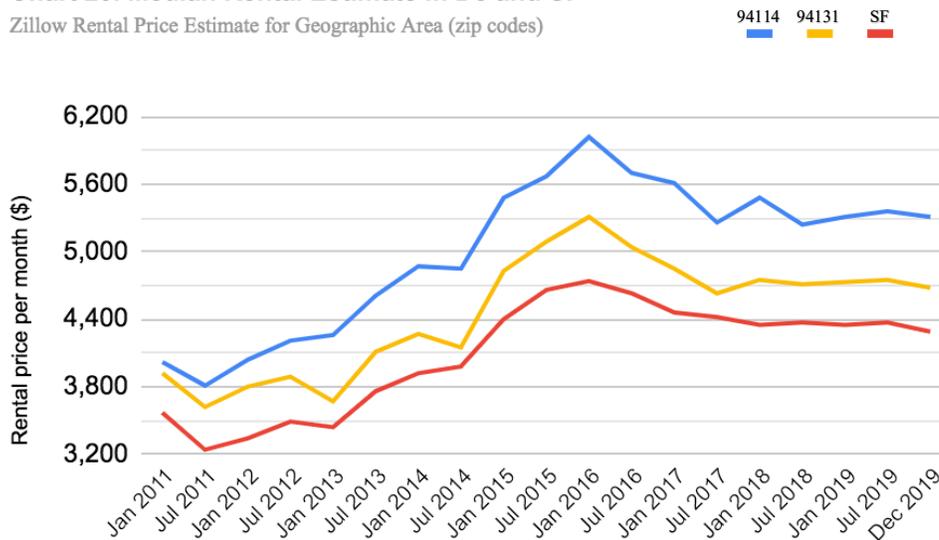
The only neighborhood where residents experience a significantly higher rate of severe overcrowding (per HUD definition, more than 1.5 persons per room), is in the Liberty Street area of the Mission, where 4.7% of households are severely overcrowded, compared to the city average of 3.8%.

HOUSING AFFORDABILITY

Unsurprisingly, the cost of housing in District 8 is very expensive. This analysis looks at estimated rents rather than actual rents because many rental units are currently occupied with prices restrained due to rent control. The estimated rental prices calculated by firms like Zillow provide a more accurate (but still imperfect) picture of the market price that a new renter would typically pay. Zillow provides estimates based on public property data and local property listings.

Chart 20. Median Rental Estimate in D8 and SF

Zillow Rental Price Estimate for Geographic Area (zip codes)



As of December 2019, the median estimated rent in District 8 is between \$4,680 and \$5,310 per month (for zip codes 94131 and 94114, respectively), compared with the citywide median rent estimate of \$4,290 per month.

Chart 21. Median Sale Price in D8 and SF

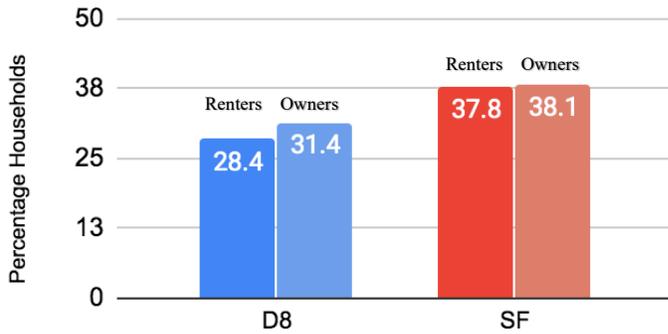
Zillow Sale Price for Geographic Area (zip codes)



As of December 2019, the median sale price in District 8 is between \$1.44 and \$1.81 million (zip codes 94131 and 94114, respectively), compared with the citywide median sale price of \$1.3 million.

Chart 22. Rent- and Mortgage-burdened Households

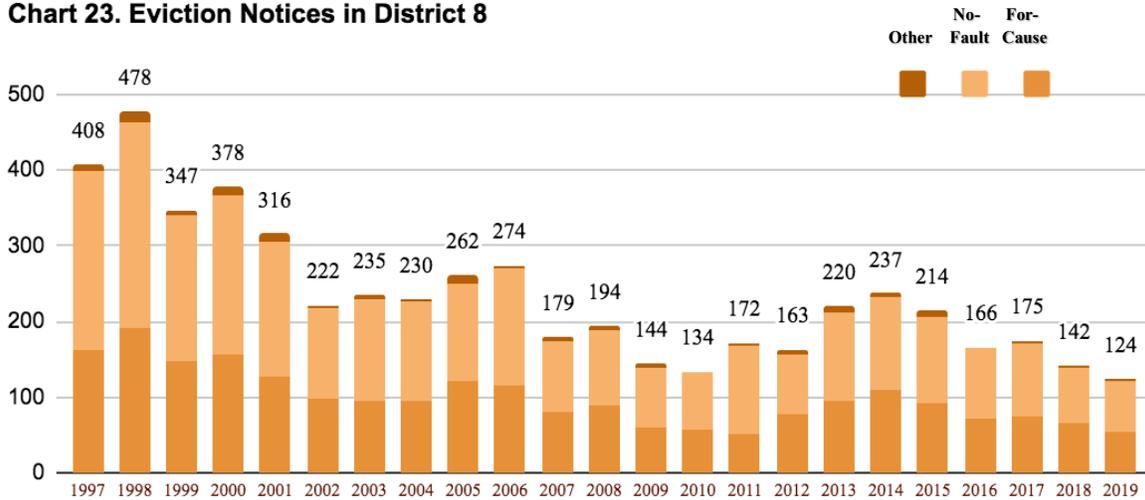
% Households paying more than 30% of income on housing



Like many San Franciscans, a significant percentage of District 8 households (28.4%, or 5,784 households) are burdened by housing costs (defined as paying over 30% of household income to housing).

District 8 households generally fare better in this regard than the average household citywide, as do renters versus owners with mortgages, both in the district and citywide.

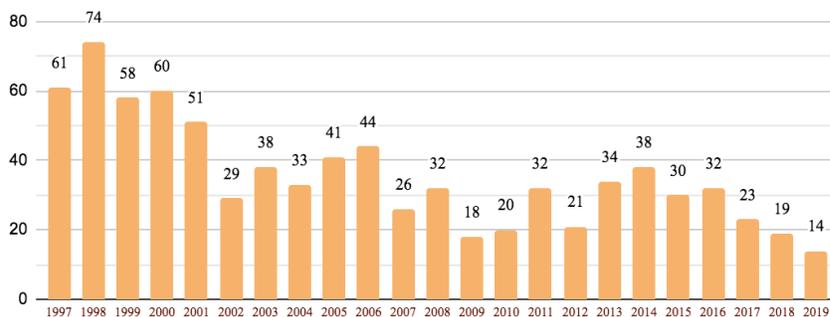
Chart 23. Eviction Notices in District 8



From 1997 through 2019, there were a total of 5,414 eviction notices filed against District 8 renters, based on all notices filed with the San Francisco Rent Board. While a notice of eviction does not necessarily mean the tenant was ultimately evicted, District 8 residents have been facing significant threat of displacement for some time.

Since 2009, there have been 614 no-fault evictions in District 8, second most in the city (closely behind the 653 no-fault evictions in District 9), accounting for 15% of all units citywide removed from protective status. No-fault evictions include reasons like owner move-in, condo conversions, capital improvements and Ellis Act (when owners leave the rental business and evict the entire building, often resulting in the loss of rent-controlled units).

Chart 24. Ellis Act Eviction Notices in District 8



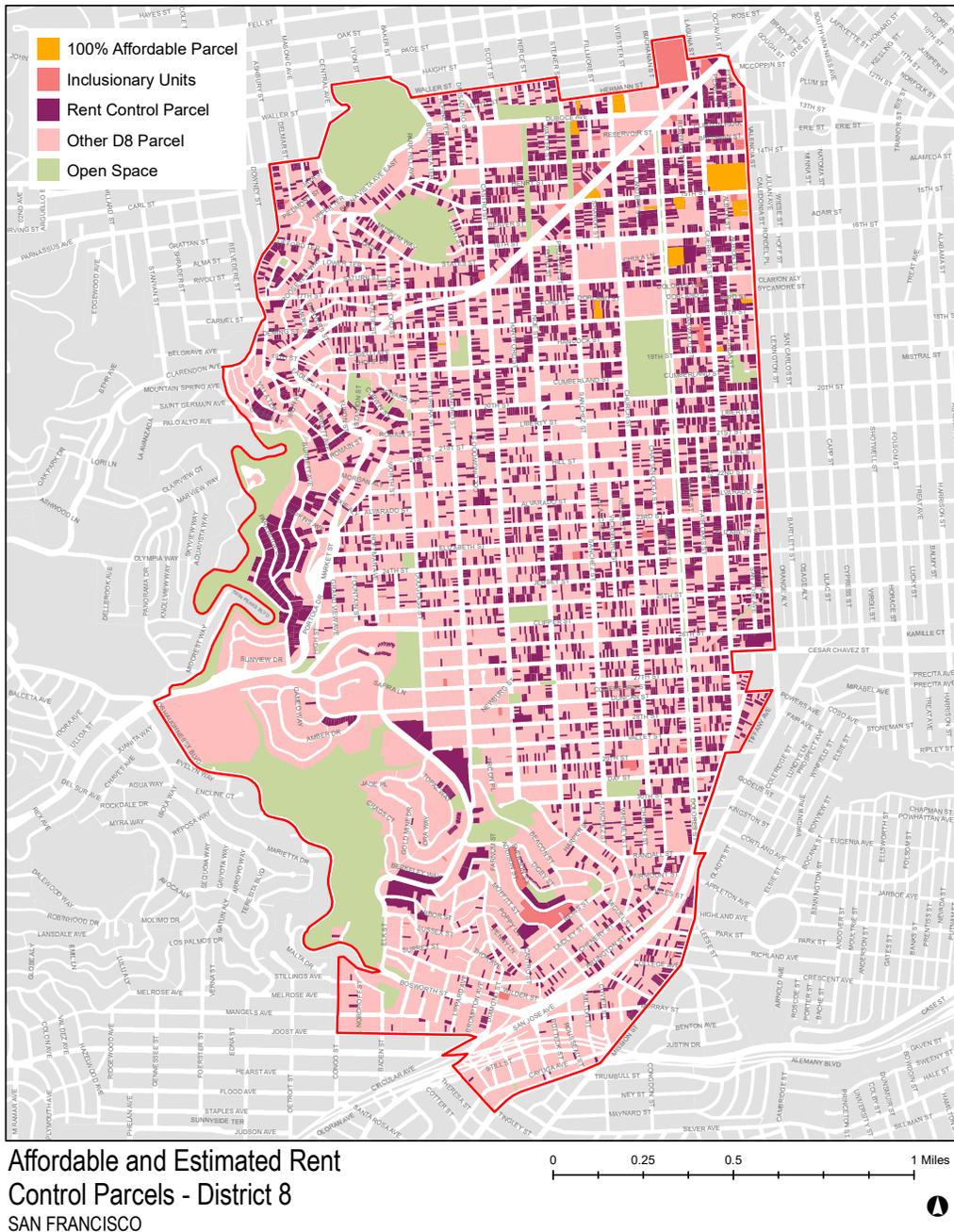
There have been 263 Ellis Act eviction notices filed against District 8 residents in the past ten years, most in the city.

This is the second leading cause of No-Fault eviction notices, but only about half as common as Owner Move-in (the leading cause).

AFFORDABLE HOUSING PRESERVATION

The majority of rental housing in San Francisco is subject to rent control, providing relative affordability and rent stability to a large share of the city's low- and moderate-income households. When tenants turnover, however, rents are increased to market-rate before it is re-rented, so that over time, rental rates increase with market trends and higher-income households occupy a greater share of rent-controlled units.

Map 1. Units Subject to Rent Control in District 8.



Approximately 53% of the residential units in District 8 are subject to rent control, based on building age, size, and ownership type, greater than the 37% of all such units citywide.

Another 2,247 housing units in District 8 are subsidized, income-targeted units affordable to low- and moderate-income households, representing over 5.7% of all housing units in the district. This is less than the share of income-targeted affordable units citywide (approximately 9%).

Table 3. District 8’s Existing Affordable Housing Units by Development.

Project Sponsor	Project Name	Neighborhood	Total Units	AH Units
Mercy Housing California	Francis of Assisi	Mission	110	110
Mercy Housing California	Notre Dame Plaza	Mission	66	65
Mercy Housing California	95 Laguna (Senior Housing)	Hayes Valley	79	78
Mercy Housing California	55 Laguna, Openhouse Community	Hayes Valley	40	39
Mercy Housing California	Monsignor Lyne Community	Castro/Upper Market	20	19
Mercy Housing California	Padre Palou Community	Castro/Upper Market	18	18
Mission Housing Development Corp.	Valencia Gardens (HOPE VI)	Mission	260	254
Mission Housing Development Corp.	Altamont Hotel	Mission	89	88
Mission Housing Development Corp.	Apollo Hotel	Mission	81	80
Mission Housing Development Corp.	Plaza del Sol	Mission	59	59
Mission Housing Development Corp.	Alcantara Court	Mission	50	49
Mission Housing Development Corp.	Esperanza Apartments	Mission	39	39
Mission Housing Development Corp.	Maria Alicia Apartments	Mission	20	20
Tenderloin Housing Clinic	Crown Hotel, 528 Valencia	Mission	50	50
BRIDGE Housing	One Church Street Apartments	Hayes Valley	93	92
BRIDGE Housing & MEDA Housing	Mission Terrace (RAD)	Castro/Upper Market	107	105
BRIDGE Housing & MEDA Housing	Mission Dolores (RAD)	Mission	91	90
BRIDGE Housing & MEDA Housing	25 Sanchez (RAD)	Castro/Upper Market	90	89
BRIDGE Housing & MEDA Housing	462 Duboce (RAD)	Hayes Valley	42	41
Vista del Monte Affordable Housing	Vista del Monte (exp. LIHTC)	Twin Peaks	104	94
Glenridge Apartments Residents Council	Glenridge Apartments (co-op)	Glen Park	275	209
Diamond View Residents' Association	Diamond View Apartments (co-op)	Glen Park	58	58
Mission Economic Development Agency	380 San Jose Avenue	Mission	4	4
Mission Economic Development Agency	642-646 Guerrero Street	Mission	4	4

Mission Economic Development Agency	63-67 Lapidge Street	Mission	6	6
Mission Economic Development Agency	3800 Mission	Mission	5	5
San Francisco Community Land Trust	70-72C Belcher Street	Castro/Upper Market	5	5
San Francisco Community Land Trust	151 Duboce	Mission	4	4
Baker Places	214 Dolores	Castro/Upper Market	8	8
Dolores Street Community Services	Richard M. Cohen Residence	Castro/Upper Market	10	9
Bernal Heights Housing Corporation	Hazel Betsey Apartments	Mission	9	9
Diamond Heights Prop Management	Casa De Vida Apartments	Twin Peaks	21	21
FC Cactus Residential Development GP	2175 Market St. Apartments	Castro/Upper Market	88	18
Brian Spears Development GP	2100 Market St., Sonder Building	Castro/Upper Market	60	8

In addition to these 2,247 income-targeted units, which includes 30 subsidized units for veterans in the Crown Hotel, District 8 is also home to over thirty affordable units (or beds) in shelters and care facilities. These include 15 units in Maitri, a residential care facility for those living with HIV/AIDS, 10 beds at St. Joseph’s Family Center, run by Catholic Charities, for families in critical situations, and 11 units in Cameo House, run by the Center on Juvenile and Criminal Justice, for young women experiencing homelessness.

One concern in affordable housing preservation is loss of units when buildings are altered, and separate smaller units are merged to form a larger unit. According to the 2018 Housing Inventory report from the Planning Department, this accounts for only a small percentage of the overall units lost due to alteration permits citywide. From 2014 through 2018, only 57 units have been lost across the entire city due to merged units from, and only 4 and 5 units in 2017 and 2018, respectively.

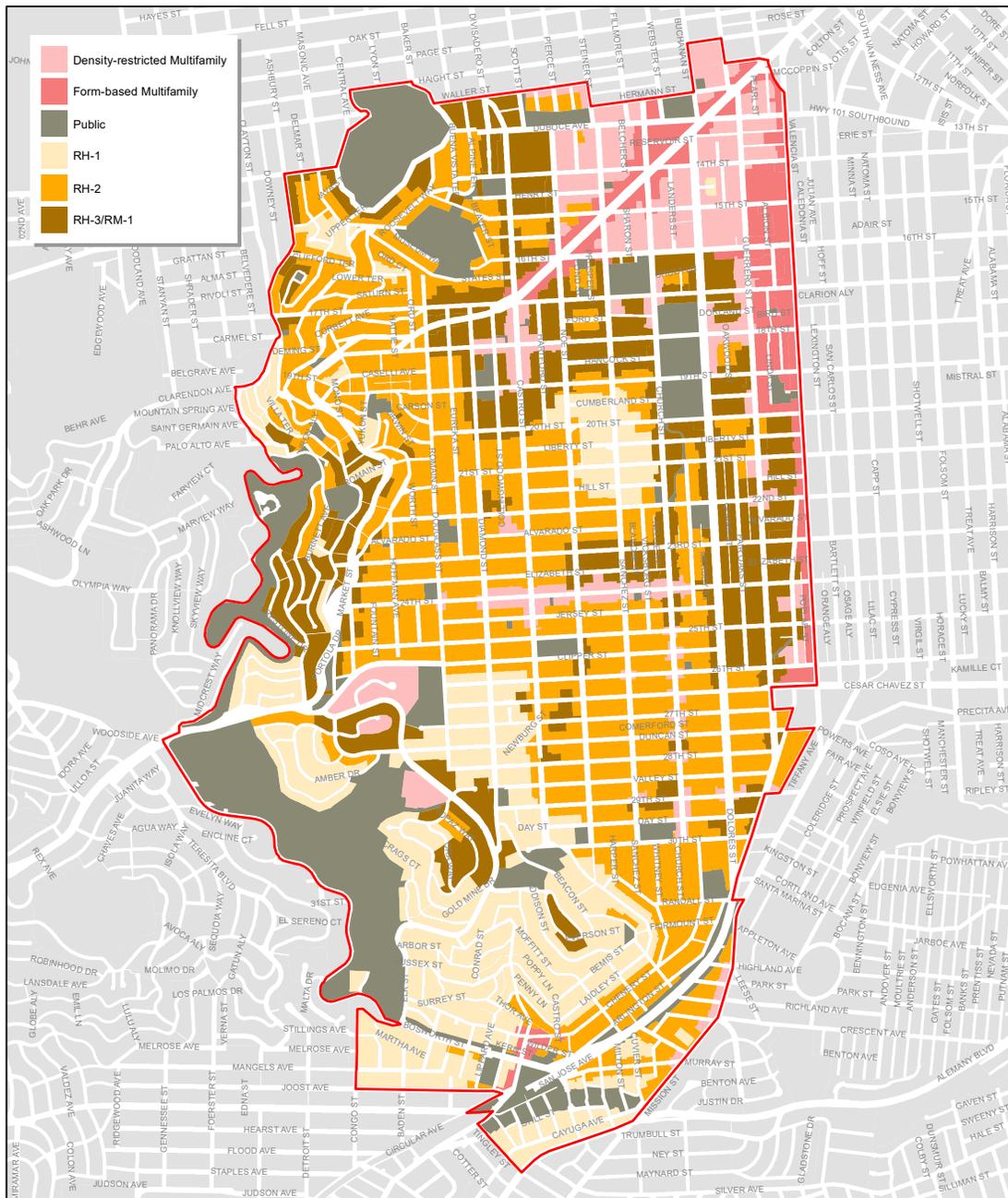
KEY FINDINGS

- District 8 has seen less new housing construction than other parts of the city.
- The majority of District 8 housing units are in smaller buildings with 2-9 units, while only 12% of all units in the district are in larger buildings with more than 20 units.
- Citywide, the vast majority (90%) of all new units built since 2018 are in high-density buildings.
- Rents and home prices are significantly higher in District 8 than is typical citywide, and as a result, many District 8 residents are paying a high share of their income for housing costs.
- District 8 has the second highest level of no-fault eviction notices (and units removed from protected status) in the city, and its residents face significant displacement pressure.

C. LAND USE & DEVELOPMENT

Zoning controls how the city's land and buildings can be used, and affects new buildings and alterations, expansions, and changes of use to existing buildings. Current zoning in District 8 is generally residential, but includes diverse building types, from single-family homes to multiplexes and apartment buildings typically up to 4 stories, to moderate-density buildings in busy neighborhood commercial districts along well-traveled transit corridors. Most buildings in the district predate current zoning.

Map 2. Residential Zoning in District 8.



Generalized Zoning - District 8
SAN FRANCISCO

0 0.25 0.5 1 Miles

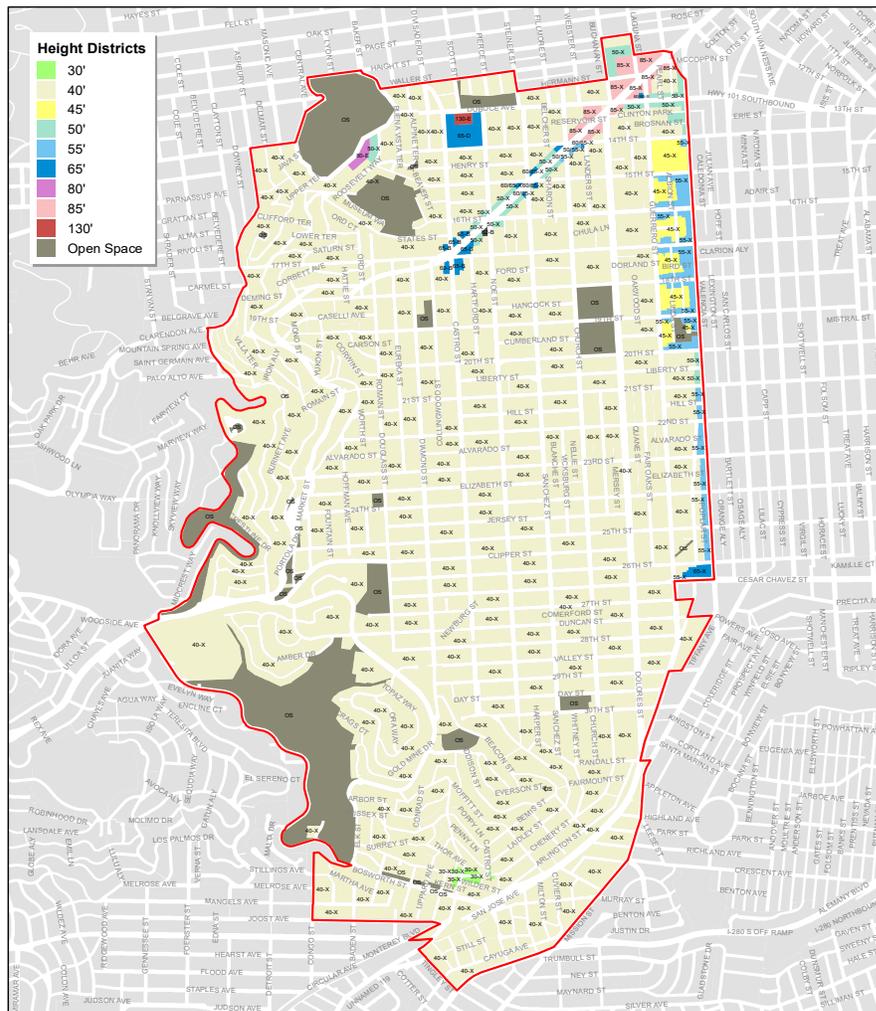


Table 4. Breakdown of all Residential Zoning in District 8.

	% Acres Zoned RH-1	% Acres Zoned RH-2	% Acres Zoned RH-3/RM-1	% Acres Zoned Density/Form-Based Multifamily	% Acres Zoned Other
District 8	21%	39%	23%	16%	0%
San Francisco	41%	18%	11%	19%	10%

District 8 has more residential land zoned RH-2 (allowing two units per parcel) and RH-3/RM-1 (residential-mixed allowing three units per parcel) than the city overall, and less land zoned RH-1 (limiting parcels to one single-family home), the most common residential zone across the city. While much of the residential-mixed and transit-oriented (RTO) zoning allows for multifamily housing, there are “form-based” restrictions in place that limit development based on height and bulk zoning, open space, and parcel/unit size, rather than a fixed limit on the number of units.

Map 3. Height/Bulk Zoning in District 8.



Height/Bulk Districts - District 8
SAN FRANCISCO

The majority of land in District 8 (82.7%) has a max building height of 40 feet. This is more than the city percentage of 40-X zoned land (56.5%).

Building heights within the Dolores Heights Special Use District are limited to a maximum of 35 feet.

But only 1.65% of land in the district allows for buildings 65 feet or higher, while more than 8% of land across the city allows buildings over 65 feet.

Based on current zoning, larger-scale and higher-density buildings are more feasible along primary transit-oriented corridors, such as Castro, Upper Market and Valencia.

HOUSING DEVELOPMENT PIPELINE

In the last ten years, there were 1,465 new housing units built in District 8, representing 5.2% of the total new units citywide. Just 306 of these are affordable (21% of the total built over this time). There are another 527 projected new units, across 19 different projects, in the “housing pipeline” for District 8, meaning projects that are entitled, permitted and expected. These 19 pipeline projects will include 146 affordable units (28% of all units to be built in the district). Proposition K, passed by voters in 2014, set a citywide target that 30% of all new housing units be affordable. Although District 8 expects to receive only a small percentage of the city’s total new affordable housing development in the current pipeline, the share of new housing units in the district that will be affordable is projected to increase.

Table 5. Housing Development Pipeline in District 8, Q1 2020.

Project Name	Total Units	AH Units	Program Area / Tenure / Completion
3620 Cesar Chavez	24	0	Inclusionary / Unknown / 2020
198 Valencia	28	3	Inclusionary / Ownership / 2021
1298 Valencia	35	1	Inclusionary / Ownership / 2021
2238-2254 Market	45	5	Inclusionary / Rental / 2021
1965 Market	96	14	Inclusionary / Mixed / 2022
2140 Market	33	3	Inclusionary / Rental / 2022
55 Belcher	25	5	Inclusionary / Rental / 2024
1939 Market	80	79	Multifamily / Rental / TBD
2135 Market	30	3	Demo of religious bldg / 100% 3BR
240 Church	20	2	Inclusionary / Rental / TBD
1120 Valencia	18	2	Inclusionary / Unknown / TBD
4512 23 rd St	13	13	HOME-SF with AHB
401-403 Burnett Ave	9	1	Three-lot merger, subdivision (see below)
407-333 Burnett Ave	9	1	Three-lot merger, subdivision (see above)
36 Amber Drive	8	8	100% Affordable / Ownership / TBD
50 Belcher	11	1	Owned by St. Francis Lutheran / Rental
3832 18 th St	19	5	SRO with Density Bonus
5367 Diamond Heights Blvd	24	0	Townhouses / dba 1900 Diamond St.

Sources: MOHCD Dashboard (Q1, 2020); Housing Balance Report No. 10, Planning Dept. and anecdotal reports.

HOUSING DEVELOPMENT OPPORTUNITIES

Housing production is a key component of any housing strategy. This report evaluated the potential for new development under current zoning using a “soft sites” analysis. Soft sites are those parcels that are developed to less than 30% of their full capacity and may be considered for future development. Several considerations will determine which sites are best suited for development, such as the size and existing use of the parcel, ownership status (public vs private) and the character of adjacent parcels and the neighborhood. For these reasons, larger sites, sites with parking lots, and any surplus publicly owned land are generally seen as most attractive. While smaller sites alone might not attract development because of the difficulty and cost of building smaller projects, in some cases clusters of smaller sites in close proximity with common staging areas could be assembled to support a larger project.

This inventory identified 64 sites with likely housing development potential across the district, with capacity for approximately 3,196 new units of housing based on current zoning. Assuming all developers meet current inclusionary zoning requirements through on-site production, approximately 623 of these 3,196 prospective units would be below-market rate (19.5% average set-aside overall).

Most of these soft sites are smaller sites, and development is more likely on larger sites that allow higher density, particularly for projects financed with Low Income Housing Tax Credits (LIHTC). Affordable housing projects must typically include at least 35 units in order to secure necessary financing, though MOHCD generally prefers projects with at least 70 units so as to optimize available funding. While there are only 7 sites in the district that are large enough to accommodate at least 70 housing units, full development of these sites would generate approximately 1,998 new housing units, almost two-thirds of the district’s total housing production potential.

Table 5. Breakdown of Potential Housing Development in District 8.

Building Size	Total Number of Soft Sites	Total Number of Potential Units	% of Total Potential Production
Smaller Sites (4 to 34 units)	50	879	27.5
Medium Sites (35 to 70 units)	7	319	10.0
Larger Sites (over 70 units)	7	1,998	62.5
Total	64	3,196	100

KEY FINDINGS

- ❑ Most residential properties in District 8 are zoned for multifamily buildings.
- ❑ Only a small percentage of residentially zoned land (1.65%) in the district allows buildings over 65 feet, as opposed to more than 8% of residential land citywide.
- ❑ District 8 received 5.2% of all new units built citywide over the past ten years (1,465 units), with approximately 21% (306 units) at affordable levels.
- ❑ There is a limited supply of larger soft sites with higher density zoning typically necessary for development of new 100% affordable housing projects.

II. HOUSING CHALLENGES & OPPORTUNITIES

District 8 residents face many of the challenges and barriers to housing that so many across the city are experiencing. This section summarizes some of those challenges, along with existing citywide policies and programs designed to address them, and both targeted and citywide opportunities for District 8 to secure more housing opportunities, particularly more affordable opportunities for every household.

A. HOUSING CHALLENGES

Unaffordability

Housing in District 8 is very expensive, with median rent more than 16% higher and average sale price 25% higher than citywide averages. One in every 3.5 households in the district are paying more than 30% of their income on rent or mortgage payments. And because land is very expensive, it is difficult to build unsubsidized housing that is affordable to most residents. Moreover, the Costa-Hawkins Rental Housing Act of 1995 is a state law that requires local rent control ordinances to allow “vacancy decontrol,” meaning that when a tenant in a rent-controlled unit moves out, the rent is increased to market-rate before it is rented to another tenant. This prevents the city from protecting the long-term affordability of its housing stock and virtually guarantees that, over time, high-cost areas like District 8 will lose income diversity.

Evictions

Over the last ten years, District 8 residents have faced the second most total evictions – and second most no-fault evictions – in the city, resulting in the second most units removed from protective status and no longer subject to rent control. The most common types of no-fault evictions in the district are owners moving into their units and evictions permitted under the Ellis Act. The Ellis Act of 1985 is a state law that allows property owners to evict all the tenants in a building by “going out of the rental business” and removing rental property from the market. Landlords and real estate investors routinely take advantage of the Ellis Act to evict tenants who otherwise would have been protected by San Francisco’s rent control and Just Cause eviction protections. The assumption is that eviction pressures will increase as the temporary moratorium has expired and the effects of the COVID-19 pandemic are more fully realized.

Preservation

District 8 has a small but vital inventory of subsidized affordable housing for low- and moderate- income households, including critical income-targeted units. Of the HUD-contracted properties in the district, none are currently at high risk of conversion to market rate in the foreseeable future. However, loss of affordability in non-subsidized units remains an ongoing concern due to the loss of rent control protections, either through the Ellis Act, condo conversions or other forms of no-fault evictions.

Production

Housing production provides opportunities for new households, or those moving within San Francisco, and can help relieve market pressure on the existing housing stock. Many variables, including zoning, land costs, construction costs, and market conditions affect the housing development pipeline. While 8.6% of the city’s total population resides in District 8, only 5.2% of new housing units across the city in the past ten years have been built in the district. There are limited sites for large, dense affordable housing projects.

B. STRATEGIES & OPPORTUNITIES

1. Tenant Protection Strategies

Maintaining economic diversity in District 8 requires both the production of below-market rate affordable housing opportunities for new low- and moderate-income residents and the protection of the district's existing tenants, many of whom have relatively affordable rent-controlled housing. District 8 has been a hot spot for evictions, likely due to its central location and high cost of living. During the COVID-19 crisis, tenants have been temporarily protected from evictions, but significantly expanded tenant protections will be necessary during any recovery period if we are to maintain the character of this community.

(a) Existing City Programs

The City's Community Stabilization Toolkit includes an [inventory of city policies and programs](#) designed to protect existing tenants. Among the policies with particular relevance to District 8 are the following:

- Rent Stabilization/Just Cause. San Francisco limits the rate of rent increases for most apartments built before 1979 and allows evictions only for 'just cause,' as defined by city ordinance.
- Condominium Conversion Controls. Limits the number of buildings that can be converted to condominium ownership to no more than 200 units per year in order to preserve the rental stock.
- Short-Term Rental Regulation. Protects the supply of long-term rental units by preventing property owners from renting units on Airbnb and similar sites for more than 90 nights per year.
- Affordable Housing Lottery Preference. City provides a preference for displaced tenants and residents of specific neighborhood or district when new affordable housing projects are leased.
- Tenant Right to Counsel for Eviction. Proposition F in 2018 provided San Francisco tenants with the right to have a city-funded lawyer if they are facing an eviction.
- Tenant Counseling and Education. Provides funding for a variety of tenant protection services, including legal services, tenants' rights counseling and education, mediation, and housing stability case management.
- Unauthorized Unit Legalization Program. Records previously unpermitted units, resolving Building Code violations and ensuring enforcement of rent control and eviction protections.

(b) New Opportunities for District 8 and City

San Francisco has been a leader in protecting tenants, and while there is political will to do more, current state law prevents the city from enacting stronger long-term protections. Further changes to Costa-Hawkins and the Ellis Act are needed to protect District 8 residents from continued no-fault evictions.

There are, however, near-term strategies that would provide greater support and protection for tenants, particularly in the face of economic and market uncertainty due to COVID-19.

- Enact a Rental Registry. Require landlords to register with the city and provide the city with essential information regarding units, tenancies and rental amounts, facilitating monitoring, notification and enforcement of rent stabilization ordinances.
- Strengthen Tenants Right to Counsel Program. Provide sufficient resources and capacity to the Eviction Defense Collaborative to ensure “full-scope representation” for all tenants facing eviction, meaning legal representation through the entirety of an eviction proceeding.
- Strengthen Unit Legalization Program. Expand the program’s reach by allowing legalization of more than one unauthorized unit per property and units with eviction history. These limitations are no longer necessary given the program’s early success and current eviction protection laws.
- Implement SB 330/Housing Crisis Act. Develop a comprehensive policy to fully implement SB 330, (passed in 2019, effective as of January 2020), requiring, among other things, that when existing housing units are demolished, current tenants shall have the Right to Remain in the unit up until six months prior to demolition, the Right to Relocation assistance during demolition and construction, and the Right of First Return after construction is complete.

2. Preservation of Existing Affordability

While District 8 is generally more expensive than other parts of the city, there are still many properties where rent-controlled buildings provide relatively lower cost housing. These small buildings are often vulnerable to market pressures, with evictions and natural turnover resulting in a gradual loss of this source of housing affordability.

(a) Existing City Programs

The City has increasingly focused its affordable housing resources and attention on efforts to purchase existing buildings in order to lock in long-term affordability and reduce evictions and displacement of lower- to moderate-income residents. In 2014, the City created the Small Sites Program to help residents avoid displacement or eviction, particularly from Ellis Act evictions, and in 2019, the City passed the Community Opportunity to Purchase Act (COPA), to further prevent tenant displacement and promote the creation and preservation of affordable rental housing.

- Small Sites Program. Provides financing to a set of community-based nonprofits to acquire small existing rent-controlled buildings and preserve them as permanently affordable housing, stabilizing housing for current tenants and improving the physical condition of the buildings. Buildings are eligible for the program if they are between 5-25 units, and two-thirds of existing tenants have maximum incomes of 80% of the Area Median Income (AMI).

-
- Community Opportunity to Purchase Act. Requires owners of apartment buildings to notify a set of Qualified Nonprofits of their intent to sell the buildings, giving those nonprofits the first right to negotiate and purchase the buildings. COPA applies to buildings with three or more residential units, or vacant land that could be developed into three or more units.
 - Replacement of Protected Units (SB 330). The Housing Crisis Act of 2020 (SB 330), requires 1:1 replacement of all housing units demolished statewide for the next five years, with all “protected units” (including below market-rate, rent-controlled, Section 8, or otherwise occupied by a lower-income tenant at or below 80% AMI) replaced at comparable size and affordability.

(b) New Opportunities for District 8 and the City

The Small Sites Program is implemented through seven community-based partners, while there are eight nonprofit housing developers that are qualified to receive COPA notices (with some overlap between the two). Many of these agencies have specific geographic areas of interest (ie. Mission, Bayview, Chinatown), and none are specifically pursuing properties located in District 8 (other than the part of Mission Dolores that is within the district). Nonprofits primarily focused on other neighborhoods appear willing to look at the occasional property in the district, but many available buildings in District 8 may not align perfectly with these agencies’ missions or priorities (ie. prioritizing projects serving the lowest income tenants).

- Targeted Small Sites Partnership. Issue a Request for Proposals (RFP) for a limited pool of operating support and capacity-building to encourage a partnership between an experienced Small Sites developer and a community-based organization (CBO) currently working in District 8, with the goal of identifying and acquiring more potential Small Sites projects in the district. This approach builds upon recent MOHCD capacity-building efforts in Districts 1, 4 and 7 (the “Westside Initiative”), and will help foster new partnerships, expand the geographic focus of existing nonprofit developers, and increase capacity for CBOs who may not currently be engaging in direct housing provision or support. For more specificity, **see Appendix A, a sample RFP** targeting capacity-building resources to encourage Small Sites in District 8.
- Periodic COPA Review and Adjustment. COPA has now been in operation for over a year and should be periodically reviewed and adjusted where appropriate to ensure maximum effectiveness, specifically to ensure that qualified nonprofits have a meaningful chance to review and bid on properties (particularly when large landlords list multiple properties simultaneously), that tenants in buildings on the market receive sufficient notification, and account for projects being sold “off-market” so as to avoid the program requirements.
- Codify and Strengthen Requirements for Replacement Units. SB 330, requiring the replacement of units lost to demolition, is a new law, and the city should consider quickly codifying these requirements and integrating them into its demolition review and approval process to ensure that existing affordable or rent-controlled units are tracked and replaced as new development occurs.

3. Housing Production Strategies

New production of both affordable and market rate housing is important because it creates new homes for people of all incomes and helps relieve pressure on existing housing. As the district's population increases, so too must the housing supply. Many variables, including zoning, land costs, construction costs, and market conditions, affect the pipeline of potential new housing development.

(a) Existing City Programs

The City's Community Stabilization Toolkit also includes an [inventory of city policies and programs](#) that provide financial support for the development of new affordable housing projects. Among the programs with particular relevance to District 8 are the following:

- City funding for 100% affordable housing developments.
 - Federal and State Grants: The city manages the distribution of affordable housing funds for several federal (HUD) and state (HCD) programs.
 - Affordable Housing Bonds: San Francisco voters have approved the issuance of bonds to raise funds to subsidize new 100% affordable housing projects.
 - Jobs-Housing Linkage Fees/Inclusionary Housing Fees: The city collects fees from developers of new commercial and residential real estate to fund affordable housing.
 - Redevelopment/OCII: Prior to the state's decision to eliminate redevelopment agencies in 2012, the San Francisco Redevelopment Agency was the city's primary source of funding for new affordable housing. The city still receives tax increment revenue from previously established redevelopment areas, which is reinvested to subsidize new affordable housing.
- Inclusionary Housing. Developers of new residential housing are required to either provide affordable units in their buildings, build off site affordable housing, donate land for affordable housing or pay a fee that the city can use to subsidize offsite affordable projects.
- Approval Process Streamlining. The city had developed procedures to implement SB35 which allows for ministerial approval of housing projects that include at least 50% of units affordable to low-income households (80% AMI or below) and meet other conditions. Planning Code Section 315 also offers priority processing, a streamlined review process, and exemption from Planning Commission hearings and Discretionary Review for 100% affordable housing projects, and Proposition E, passed in 2019, that streamlines approval for affordable and educator housing on most residential zoned lots of more than 10,000 sq. ft., with an easing of certain zoning rules limiting size, ground-floor height, and density, along with other benefits.
- Local Density Bonuses. The Affordable Housing Bonus Program and HOME-SF offer 100% affordable projects greater height (up to three stories) allowance, form-based density, zoning modifications, and prescribed exceptions to existing planning code requirements, as well as priority permit processing and streamlined approvals.

(b) New Opportunities for District 8 and the City

Identifying sites that are suitable for larger-scale affordable housing development is easier in some parts of the city than others, resulting in an uneven distribution of affordable housing. Some cities have tried to address this challenge by setting quotas based on supervisorial district, but this approach can significantly reduce the rate of production, as money sits unspent when projects cannot be secured in certain areas.

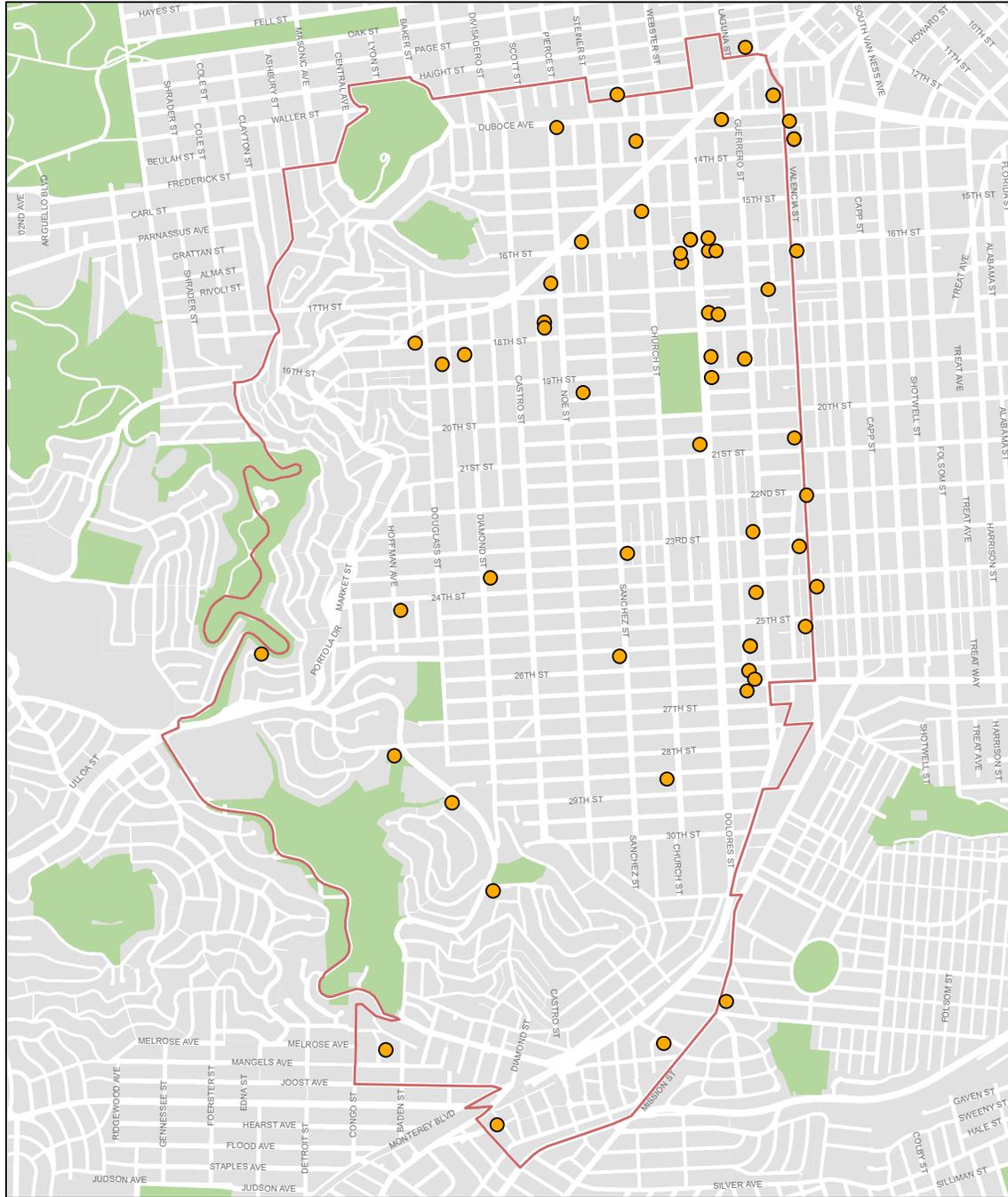
- Affordable Housing Site Identification and Evaluation Contract. Secure funding to contract with a consultant or nonprofit housing developer to more closely evaluate soft sites for potential acquisition and development of affordable housing, including opportunities for both 100% affordable and Mixed-Income affordable projects. The selected contractor could begin with the list of potential soft sites developed for this report, which includes public and privately-owned sites, as well as sites owned by faith-based institutions. For more specificity, **see Appendix B, a sample Scope of Work** to contract for such site identification and evaluation services.
- Support Smaller-Scale Ownership Development. Subsidize new homeownership development of townhouses or lower density ‘stacked flat’ condo buildings that can be built at a much lower cost with simple wood frame construction (as opposed to higher-density buildings requiring concrete parking decks). This approach would better utilize the smaller, less expensive sites that are not appropriate for higher-density multi-family development. As costs per unit for new larger-scale rental buildings continue to increase, a homeownership development program at a modest scale could offer a cost-effective means to build affordable housing, particularly in areas like District 8.

As a point of reference, San Francisco currently invests more than \$250,000 for each affordable rental unit that is built, and first-time homebuyer loans under the City’s Down Payment Assistance Loan Program are currently limited at \$375,000 per unit. *Habitat for Humanity* has been successful in producing homes for sale to low-income buyers with less than \$200,000 per unit in city subsidy. These projects tend to provide 2- and 3-bedroom homes, filling an important niche in the affordable housing spectrum. They also tend to offer more flexibility for cross-subsidization, where nonprofit developers either build mixed-income projects or partner with market-rate developers such that the market-rate units help pay for below-market-rate units. A small ownership project in District 8 might be able to achieve 50% affordability with modest city subsidies and mixed-income cross-subsidization. For more specificity, **see Appendix C, a sample program description** for an Infill Affordable Homeownership Program.

- Expand Faith-Based and Institutional Partnerships. Facilitate the ability and capacity of faith-based institutions to build affordable housing on their land. Churches and other places of worship often own underutilized land or structures, such as adjacent parking lots, which can be used as sites for new affordable housing, while serving the organization’s mission and financial stability.

While there is no district-specific inventory, Map 4, below, shows the general prevalence of faith institutions in District 8, several of which have sites with apparent development potential.

Map 4. Church Sites in District 8.



Places of Worship - District 8
SAN FRANCISCO

0 0.25 0.5 1 Miles



There are approximately 162 parcels larger than 10,000 sq. ft. across the city that are owned by religious institutions, 160 of which are within a half-mile of public transit. Larger parcels, especially parking lots are more likely to qualify for LIHTC financing, though smaller parcels might be viable if developed as clusters or mixed-income projects. A new state law, AB 1851, instructs local governments to ease parking and zoning requirements on property owned by faith institution for the purpose of developing affordable housing projects.

The City could take action to implement and effectuate AB 1851, such as by:

- Providing grant funding to faith-based institutions to explore the feasibility of partnering with nonprofit developers to build new affordable housing on the sites they currently own.
- Allocating internal FTE to identify sites for potential religious institution affiliated housing projects, particularly those within a half-mile of public transit, and provide information, outreach and support to the faith institution owners.
- Eliminate Remaining Zoning Barriers for Affordable Housing. While recent state and local legislation has focused on removing zoning and approval process barriers for 100% affordable housing projects, certain zoning obstacles remain. Over 20% of all residential land in District 8 is zoned RH-1, by definition limiting density on those parcels. Eliminating RH-1 restrictions and further curtailing the height/bulk allowance, such as in the City of Portland's [Residential Infill Project](#), could generate more low- to moderate-income housing from existing single-family lots.
- Further Streamline Approval Process for Mixed-Income Projects. Both private and nonprofit developers are becoming increasingly comfortable building mixed-income projects where market rate units cross-subsidize affordable units while also accessing a range of public affordable housing subsidies. These projects are currently disadvantaged by rules that favor 100% affordable housing. An approach that promotes mixed-income housing with, for example 50% affordable units could be useful in certain specific cases including larger rental projects and smaller scale homeownership projects. The city could design and pilot a program that streamlines the approval process and provides other benefits to mixed-income projects that achieve a significantly high share of affordable units.
- Hotel/Motel Conversions. In response to the COVID-19 pandemic, the City has experimented with temporary conversion of hotels to provide housing for the homeless. A number of other jurisdictions have developed permanent programs for hotel or motel conversions. While District 8 has a limited number of opportunity sites where new permanent supportive housing could be built, there are a number of hotels or motels in the district which could be converted to supportive housing by nonprofit organizations. While key funding for COVID-related hotel conversions has come from FEMA, permanent conversions would require additional public funding.

4. Neighborhood-scale Housing Strategies

The City's affordable housing strategy has strongly emphasized larger-scale development of 100% affordable housing buildings by high-capacity nonprofit developers. While this is a sensible and efficient approach, it necessarily limits the geographic reach of local housing investment to the areas where higher-density housing is allowed and appropriate. The Small Sites Program is an alternative means of preserving smaller buildings in a greater variety of locations, but the economies of scale for this program still limit it to areas where multi-family housing is already available. Like much of the city's west side, large segments

of District 8 currently consist primarily of single-family homes and 2-10 unit buildings. A comprehensive strategy for the district requires a means of building or preserving affordable housing in all neighborhoods.

(a) Existing City Programs

- Accessory Dwelling Units. Since 2013 the city has been working to encourage and simplify the process for approval of Accessory Dwelling Units (ADUs), which can add additional housing to existing single family or multi-family properties. ADUs (often called in-law units, granny flats, secondary units, or basement or garage apartments), can take several forms and are generally “affordable by design” due to their smaller size and physical limitations of location (such as in a basement or behind a garage). In 2018, key executive agencies began streamlining approval and construction of permits for hundreds of new rent-stabilized ADUs across the city.

(b) New Opportunities for District 8

- Local Rent Vouchers. District 8 has a wealth of existing housing which could be better utilized to meet the needs of city residents at all income levels. The most direct way to make expensive housing accessible to lower-income residents is to provide rental assistance vouchers, which pay a portion of a tenant’s rent each month. Given the complexity and administrative demands of Federal Housing Choice (Section 8) vouchers, many property owners have been resistant to rent to voucher holders. But a number of cities have developed local voucher programs designed for more flexibility and easier use. In some cases, local voucher programs have also offered ‘shallower’ subsidies that are significant to tenants but don’t meet federal affordability standards.
 - ADU Vouchers: The *Backyard Homes Project* in Los Angeles has been providing Housing Choice (Section 8) vouchers to homeowners who build ADUs and agree to lease them to very low-income tenants for at least five years. These are project-based rent vouchers that guarantee steady income to homeowners who undertake the risk of building an ADU.
 - Roommate Vouchers: Another approach would be to offer rent vouchers to tenants looking to rent rooms in existing apartments and homes with roommates. Living with roommates is already one of the most affordable ways to obtain housing in the city. Existing vouchers might otherwise solve this challenge, but because the cost per tenant is so high, too few tenants would be served. Vouchers for rooms rather than whole apartments would require far less subsidy per assisted person while still ensuring adequate and appropriate housing. Such a program could be administered by the city, but it could also be done more simply as a pilot project through a grant to a community organization.
- Support Small Landlords. Duplexes and other small multiplex buildings can provide a sustainable asset-building opportunity for lower- and moderate-income owner/managers, but most middle-income people have difficulty qualifying for financing because lenders deeply discount the projected rents from rental units in owner-occupied properties. In the wake of COVID-19, many small property owners are facing extreme financial pressure. The city could support these small-scale property owners by creating a program that provides support and oversight to those who

agree to maintain some share of rental units at affordable rents. This program could target single-family owners with ADU units or owners of 2-6 unit buildings (or both).

The city could provide direct subordinate financing or simply guarantee the rents for restricted units in order to enable households who would otherwise not qualify to purchase or refinance 2-6 unit properties in the district. The city would need to develop a set of “lighter touch” compliance requirements so as not to be overly burdensome to small-scale property owners, while monitoring to ensure affordability. Although such a program might prove controversial, it could allow the city to mix more affordable units into neighborhoods that are currently difficult to reach.

- Flexible Reuse of Excess Retail. Even before the coronavirus pandemic, local retail was struggling. While the city can and should do everything in its power to help restaurant and retail businesses survive and reopen, we may need to prepare for a long-term increase in neighborhood commercial vacancies. To facilitate reuse of this space, the city could develop more flexible design guidelines and other policies that would allow for ground floor housing, live/work or community service spaces in a greater variety of contexts.
- Below Market-Rate Unit Conversions. In order to provide affordable units in currently underserved areas, the city could create a program that paid property owners to convert existing rental units to BMR units permanently regulated by the city. Property owners facing significant cash flow challenges may welcome the opportunity to ‘monetize’ some of their units, particularly landlords who already manage BMR units in newer buildings. The program could initially be limited to units occupied by low-income tenants impacted by COVID-19, though it may make sense more broadly as well. The amount of the buy-out price could be calculated based on the present value of the difference between the BMR rent and the likely re-rental rent for the specific unit. Units would be income-restricted for the life of the building, so that when current tenants move, the rent would not be marked up to market-rate. While this buy-out amount would differ between buildings, in some cases it would be less than the current cost of subsidizing new construction affordable units.

Similar to the Small Sites Program, this approach would invest public resources to preserve the affordability of existing housing and protect existing tenants from displacement, without creating any new housing units. But unlike Small Sites, BMR conversions would be less complicated and lower risk because there would be no need to buy and manage whole buildings. It would, however, require initial staffing to negotiate agreements, and ongoing city resources to monitor units and enforce those agreements.

APPENDIX A. SAMPLE RFP, SMALL SITES PROGRAM CAPACITY-BUILDING

Introduction

The Small Sites Program (“SSP” or the “Program”) is an acquisition and preservation loan program for multi-family rental buildings of 5 to 25 units in San Francisco. The Program was created to protect and preserve long-term affordable housing in smaller properties in the City that are vulnerable to market pressures resulting in rising tenant rents, increased evictions, and property sales. In the face of this pressure on tenants and communities, the City developed the Small Sites Program, which provides financing to non-profit and for-profit entities who remove these sites from the market and restrict them as affordable housing for the long term.

The overarching Program goals are to:

1. Prevent the displacement of San Franciscans by preserving housing opportunities at a range of income levels in neighborhoods throughout the City;
2. Remove vulnerable properties from the speculative market while increasing the supply of permanently affordable rental housing by restricting properties to serve households with average incomes at 80% AMI; and
3. Create financially stable, self-sustaining housing that serves multiple generations of low- to moderate-income households by ensuring that properties remain operationally and financially healthy in the long-term.

To date, SSP has preserved [xxx] permanently affordable residential units in [xx] buildings, with another [xx] units in [xx] buildings are in the pipeline. Currently, the majority of SSP buildings are geographically concentrated in the Mission and Bernal Heights, accounting for approximately [xxx] units in [xx] buildings.

The Community Opportunity to Purchase Act (“COPA”) supports this effort by requiring owners of properties with more than three (3) rental units to provide notice of intended sale and an opportunity to negotiate purchase to nonprofit organizations designated by the City. To date, COPA has been utilized [xx] times by nonprofit organizations purchasing rental buildings to preserve long-term affordability.

In 2019, MOHCD issued a NOFA for SSP financing, with additional capacity-building resources for Districts 1, 4 and 7 (the “Westside Initiative”). This Request for Proposals (“RFP”) will continue to support capacity-building for community development and affordable housing preservation in District 8 to expand the reach of the Program to areas of the City where residents face heightened risk of displacement and loss of affordable units.

Background

Fundamental to the success of the Program is MOHCD’s collaboration with project sponsors who engage in the acquisition, rehabilitation, and long-term preservation of Small Sites in the City. MOHCD is committed to supporting the growth and organizational sustainability of partners who can help qualified nonprofit developers expand the reach of the Program to areas of the City that have yet to realize the Program’s benefits. MOHCD recognizes that the involvement of community development organizations based in the community and/or with strong connections to tenants facilitates the Program’s reach and success. To that end, MOHCD is providing \$500,000 total for a two-year capacity-building grant to a

qualified Co-Developer Team to better identify, evaluate, acquire, rehabilitate, and operationalize residential housing developments to preserve and increase the availability of affordable housing in the Board of Supervisor's District 8 ("District 8").

District 8 residents face a high risk of displacement. Over the past decade, the district has seen the second highest level of no-fault eviction notices in the city, resulting in a loss of rent-stabilized units. District 8 has had less new housing development over the past decade as well, and rent prices are significantly higher in District 8 than across the city, leaving many tenants rent-burdened. Since SSP launched in 2014, xx sites have been acquired in District 8, totaling xx units, all along the district's edges of Mission-Dolores and Castro/Upper Market. The lack of broader Small Sites production throughout the district is due in part to the absence of a community development organization in District 8 dedicated to the acquisition and preservation of small sites, and to the limited capacity of social service agencies and other organizations with strong connections to District 8 tenants at risk of displacement.

With support from Supervisor Mandelman's Office, this RFP will focus on building capacity for community development and long-term preservation of affordable housing units in District 8. The Small Sites Program District 8 Capacity-Building Grant is for a total amount of \$500,000 for a term of up to two (2) years.

Eligible Activities

Key activities of grantee Co-Development Team may include:

- SSP District 8 Assessment: create an inventory of and assess long-term opportunities for Small Site acquisition, evaluation of COPA sites and new affordable housing development and community stabilization opportunities, including site identification, market research, communication with property owners and real estate brokers, and the full spectrum of responsibilities related to the acquisition and rehabilitation of such properties for affordable housing preservation.
- Tenant/Resident Education and Outreach: provide education and outreach to tenants at buildings participating in or potentially eligible for SSP funding, organize and facilitate resident meetings for tenant education and advocacy, answer resident or stakeholder inquiries related to SSP or general housing concerns, coordinate with other related staff and the Supervisor's Office as appropriate, perform tenant income certifications as applicable, and the full spectrum of responsibilities related to educating, engaging and coordinating resident outreach at small sites buildings.
- Build Organizational and Operational Capacity: hiring of project staff or consultants, enlisting in staff training and technical assistance, identifying and engaging organizational stakeholders to participate in community development activities, creating plans for program sustainability, joint ventures or other forms of partnership, and setting of desired outcomes with goal of slowing displacement and loss of affordable housing units and strengthening engagement in the Program.
- Other Activities: Funding may also be awarded for other community capacity-building activities that will expand engagement in the Small Sites Program in District 8.

Model Co-Development Team

The successful applicant will consist of at least two partners, serving as Co-Developers: a SSP-qualified nonprofit housing developer, and a community-based organization, including but not limited to social service agencies, with a strong connection to District 8 tenants at increased risk of displacement. The following table provides a hypothetical division of labor and capacity, but Co-Development partners may share responsibilities and resources as they see fit, provided they are collectively working to identify, evaluate, acquire, rehabilitate and operate affordable housing in District 8.

SSP Nonprofit Developer	D8 Community-Based Organization
1. Screening Properties in District 8	
<ul style="list-style-type: none"> • Receive/evaluate notice from property owners • Identify/evaluate potential acquisition sites • Create inventory of potential sites • Forward potential sites to CBO partner 	<ul style="list-style-type: none"> • Review, prioritize properties based on local need • Tenant outreach and engagement • Coordinate with local stakeholders, Supervisor • Work with developer to prioritize sites
2. Purchase Offer	
<ul style="list-style-type: none"> • Develop offer • Negotiate with property seller • Coordinate financing • Manage closing 	<ul style="list-style-type: none"> • Coordinate collection of tenant data • Support negotiation • Manage communication with tenants and local stakeholders
3. Ongoing Ownership	
<ul style="list-style-type: none"> • All ownership, property and asset management 	<ul style="list-style-type: none"> • TBD (resident services if appropriate)

Grantee Qualifications

The successful grantee will be a Co-Development Team consisting of one or more SSP-qualified nonprofit affordable housing developers and a community-based organization (CBO) whose mission includes service provision to, or advocacy on behalf of, low-income residents or other vulnerable populations in District 8. Proposals may include multiple SSP-qualified community development partners working with a single qualified CBO partner, but no more than one CBO partner may be included, so as to maximize capacity-building within the community.

The SSP-qualified community development partner(s) must be one of the Community Partners designated by the City as eligible for SSP financing.

The CBO partner must: (a) be a nonprofit corporation registered with the IRS and in operation for at least the past three (3) years; (b) have a mission that includes service provision to, or advocacy on behalf of, low-income residents or other vulnerable populations; and (c) either have a physical presence in District 8, or provides at least 30% of its overall service, including community engagement, in District 8.

Project Deliverables

The successful Co-Development Team must produce the following deliverables, updated monthly and submitted on a quarterly basis to MOHCD and the District 8 Supervisor's Office:

- Inventory of potential SSP-eligible project sites for acquisition and rehabilitation funding, and all COPA notices received;
- Assessment and prioritization of potential SSP-eligible project sites, including all sites related to COPA notices received, and a summary of each site's feasibility;
- Log of all tenant communications and engagement activities regarding affordable housing concerns, including but not limited to eviction or displacement concerns;
- Log of all communications with property owners and real estate brokers regarding potential acquisition of SSP-eligible properties or COPA notice sites;
- Summary, with documentation, of any offers made and negotiations entered regarding potential acquisition of properties for affordable housing preservation or creation; and
- Assessment of ongoing capacity needs for expanded affordable housing preservation in District 8.

Prioritization and Scoring

In making this grant funding award, MOHCD will prioritize the following characteristics:

- History of the relationship between and mission alignment of Co-Development Team members;
- Organizational commitment to protecting tenants and/or creating housing opportunities for low-to moderate-income households;
- SSP-qualified nonprofit developer's acquisition experience and demonstrated existing capacity to manage and execute housing and community development projects;
- Degree to which CBO partner is established in District 8 and serves or engages residents from vulnerable populations, including low-income people of color, families with minor children, elderly, disabled, or those otherwise facing housing barriers, such as due to their sexual orientation or gender identity;
- CBO's experience with property management companies and linking the residents it serves to the City's safety net of services to ensure housing retention and stability; and
- Degree to which the Co-Development Team members can efficiently utilize capacity-building resources to maximize engagement and expansion of SSP into District 8.

APPENDIX B. SAMPLE SCOPE OF WORK, OPPORTUNITY SITE EVALUATION CONTRACT

Introduction

District 8 has not seen the same level of larger-scale, higher density projects, particularly those financed with Low Income Housing Tax Credits (LIHTC), as other areas of the City. This is likely due in part to the relatively high cost of land zoned for residential housing, and the apparently limited number of larger sites in the district where such projects are feasible.

As part of the District 8 Affordable Housing Study in 2020, project consultants created an initial inventory of “soft sites” across the district. Soft sites are those parcels that are developed to less than 30% of their full capacity and may be considered for future development. This inventory identified 64 sites with likely housing development potential across the district, with capacity for approximately 3,196 new units of housing based on current zoning. Yet more than three-quarters of these sites are smaller-scale; only 14 of the 64 sites seem to offer potential for at least 35 housing units, with only half of those seemingly feasible for 70+ unit projects.

Yet even a few higher-density projects on these limited sites would have a significant positive impact on the district-wide housing balance and increase the availability of affordable housing at a time when residents face high risk of eviction and the housing stock is losing rent-controlled protected units at an alarming rate. While smaller sites alone might not attract higher-density development because of the difficulty and cost of building smaller projects, in some cases clusters of smaller sites, in close proximity with common staging areas, might be assembled to support a larger project. Additionally, there are potential institutional partnerships that have access to underutilized land that might be better suited for affordable housing. This Contract is intended to provide immediate resources and capacity to better identify and evaluate such opportunities.

Project Objectives

1. To identify, assess and evaluate the full range of Opportunity Sites within District 8 for the development of affordable housing units; and
2. To identify and initiate, as appropriate, institutional partnerships to promote the development of affordable housing units on underutilized land in District 8.

Tasks and Activities

1. Create an inventory of all public- and privately-owned soft sites in District 8, including all available property characteristics and ownership information, including potential clusters;
2. Develop and apply a methodology to assess and evaluate soft sites and clusters of soft sites for affordable housing development potential, including potential funding mechanisms;
3. Identify potential institutional partnerships that could encourage the development of affordable housing on underutilized land;
4. Communicate and coordinate with the Supervisor’s Office and relevant stakeholders, including property owners, nonprofit and for-profit housing developers, and real estate brokers as needed; and
5. Other activities that facilitate and support the scoping and potential development of affordable housing in the district.

Compensation and Time Period

This Contract is for a time-limited duration of six (6) months, with a total value not to exceed \$60,000.

Deliverables

1. Comprehensive inventory of all Opportunity Sites in District 8, with all relevant property, history and ownership characteristics;
2. Analysis of highest priority Opportunity Sites for LIHTC funding (including potential clusters);
3. Analysis of highest priority institutional partnerships with affordable housing potential;
4. Bi-monthly (twice per month) progress reports detailing updates on property research and evaluation and any relevant stakeholder engagement; and
5. Final project summary including final site inventory, final priority sites with full assessments, and final recommendations for action to facilitate affordable housing production.

APPENDIX C. SAMPLE INFILL AFFORDABLE HOMEOWNERSHIP PROGRAM DESCRIPTION

Overview

The Infill Affordable Homeownership Program (“Program”) will provide City affordable housing resources to finance the construction of new homeownership opportunities on small sites throughout San Francisco’s neighborhoods. The Program seeks to target investment in areas of the City that have historically been underserved by the City’s prioritization of affordable rental housing projects due to the limited supply of larger development sites in such areas. The City will achieve greater geographic integration and distribution of affordable housing by investing in smaller footprint ownership projects.

Background

The primary barrier to homeownership development has been the lack of subsidy at all levels. While there are some federal and state subsidy sources for affordable ownership projects, none provide nearly as much subsidy per unit as the Low-Income Housing Tax Credit (LIHTC) program for multi-family rental projects. When the cost per unit for ownership and rental housing is equivalent, the City prioritizes larger scale affordable rental projects in order to maximize its ability to leverage these outside funding sources to provide as many units as possible. Instead of building ownership housing, San Francisco has provided first-time homebuyers with loans to purchase existing homes, though usually at a higher cost per family served due to the lack of any other subsidy.

More recently, however, as the cost per unit for new rental buildings has risen, the economics have shifted in a way that makes homeownership production more competitive. Townhouses or lower density ‘stacked flat’ condo buildings can be built with simple wood frame construction at a much lower cost per square foot than higher-density buildings requiring concrete parking decks. Given the prevalence of smaller sites throughout the City, these infill ownership projects may, depending on the neighborhood, be built on lower cost sites, further contributing to affordability.

Purpose

The Program will provide grants to builders of townhouse and condominium projects to enable the sale of units at Below Market Rate (BMR) prices to income-eligible first-time homebuyers. The Program will require that BMR housing units in funded projects remain permanently affordable to buyers in the target income range, through resale price restrictions or a similar mechanism.

The Program will be available only to nonprofit builders or partnerships between private homebuilders and established community nonprofits with proven capacity to support the sale of affordable units. For example, a nonprofit developer could apply for funding for a project consisting of 10 BMR townhouses. But another nonprofit could apply jointly with a private builder to set aside 6 units in a 10-unit mixed income condo building.

Comparison with Existing Homeownership Programs

San Francisco currently operates a number of programs which support homeownership including:

- Down Payment Assistance Loan Program. The DALP is a silent second loan that requires no monthly payments for 30 years, or until the property is sold. The owner pays MOHCD back the principal amount, plus an equitable share of appreciation.
- Inclusionary Affordable Housing Ownership Program. Developers of market rate for-sale housing in the City must support affordable housing either by providing affordable units (on- or off-site), or by paying a fee in lieu. The City oversees and monitors Inclusionary BMR ownership units to ensure they are occupied by and permanently affordable to low- to moderate-income buyers.

Ownership Program Elements	Down Payment Assistance Loan Program (DALP)	Inclusionary Below Market Rate (BMR) Program	Proposed New Infill Production Program
Purpose	Assist first-time buyers in accessing homes in City	Permanently preserve affordability of for-sale inclusionary housing units	Support building of new permanently affordable ownership housing units
Max Amount	\$375,000	N/A	\$250,000
Other Subsidies	None (generally)	None	CalHome, Federal Home Loan Bank, donations, etc.
Income Limits	120% of AMI 175% of AMI	80% of AMI 105% of AMI 130% of AMI	80% of AMI 120% of AMI
Affordability Mechanism	Loan requiring repayment of a share of appreciation	Deed restriction requiring sale at below market price	Deed restriction requiring sale at below market price

Program Structure

The Program would provide forgivable loans to qualified nonprofit organizations to subsidize the construction of new permanently affordable homeownership opportunities for very low, low, and moderate-income households. Upon project completion, the City loan is forgiven when an affordability restriction is recorded against the affordable ownership unit.

Income Targets and Per Unit Subsidy Limits

Subsidy limits are set to correspond to the income group served by each housing unit, with units targeting lower income households eligible for larger grant amounts.

<u>Income tier:</u>	<u>Maximum Amount Per Unit:</u>
120% of AMI	\$150,000
80% of AMI	\$250,000

Eligibility

Funds will be awarded on a competitive basis only to nonprofit organizations with an established track record of successfully completing development of price- and income-restricted for sale housing, or to partnerships including a qualified nonprofit and one or more private partners. Partnerships must demonstrate that the nonprofit partner has sufficient experience and staff capacity to ensure that the partnership can appropriately design, build, and market units and select residents for affordable units. The Program will fund projects that propose to build 2 to 30 units of housing where at least 50% of the units in the project are set aside for households earning no more than 120% of AMI. Such units must at all times be owner-occupied by households that are first-time homebuyers who have completed the City's approved homebuyer education and meet the income limits and applicable underwriting standards at the time of purchase, including maximum income, minimum down payment, and asset limits as outlined in the guidelines for the inclusionary ownership program. Applicants must be selected through MOHCD's lottery procedures for BMR for sale units.

Relationship with Inclusionary Housing Requirements

Mixed-income projects under this Program will continue to be subject to the City's Inclusionary Housing requirements (Planning Code Sec. 415), namely, to provide on-site affordable units. However, such projects shall be exempt from the rule prohibiting the use of City subsidies and are eligible for Program funding based on the number of affordable units provided.

Affordability Restrictions

Each assisted unit must be preserved permanently as an affordable homeownership opportunity using MOHCD's BMR deed restriction or an alternative mechanism approved by MOHCD as likely to result in preserving affordability to the target income group for as long as practical.