

# 2024 General Obligation Bond for Affordable Housing

Capital Planning Committee

July 24, 2023



# Today's Presentation

Affordable Housing Bond Program History

Funding for Affordable Housing

Current Housing Needs

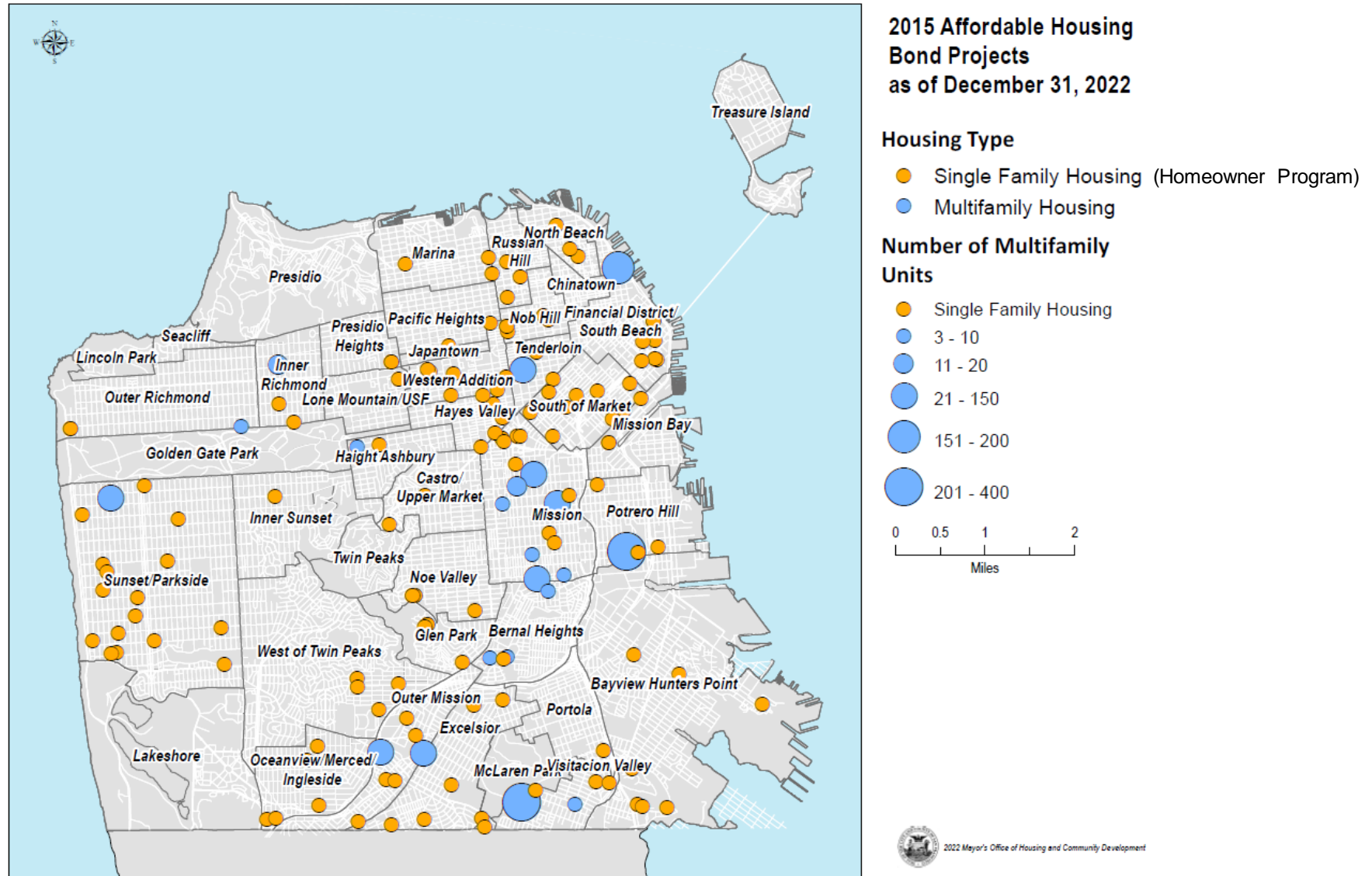
2024 Bond Program

# 2015 GO Housing Bond

- \$310 Million
- 1,568 units funded
- 99% expended
  - Will be fully expended by mid-2024
  - Expenditure schedule driven by \$25M allocation to educator housing at 43rd & Irving which began construction in the fall of 2022.

	Issuance 1	Issuance 2	Issuance 3	TOTAL
Public Housing	\$ 41.0	\$ 0.4	\$ 38.6	\$ 80.0
Low-Income Housing	\$ 24.2	\$ 68.4	\$ 7.4	\$ 100.0
Low-Income Housing (Mission)	\$ 6.1	\$ 43.1	\$ 0.8	\$ 50.0
Middle-Income Housing	\$ 3.8	\$ 30.2	\$ 46.0	\$ 80.0
<b>TOTAL</b>	<b>\$ 75.1</b>	<b>\$ 142.1</b>	<b>\$ 92.8</b>	<b>\$ 310.0</b>

# 2015 GO Housing Bond Projects





# PROJECT SPOTLIGHT: 2015 BONDS

## 681 FLORIDA: 130 FAMILY UNITS, 30 FOR FORMERLY HOMELESS HOUSEHOLDS

Funding Source	Amount	Restrictions / Terms
Tax Exempt Bank Loan	\$3,050,000	3.45% interest 20 years
MOHCD Gap Loan (includes Bond funds)	\$30,147,923	0% Interest 55-year term
HCD Multifamily Housing Program (MHP)	\$14,706,000	3% interest 55-year term, 0.42% mandatory payment
Deferred Developer Fee	\$2,537,145	Paid out of cash flow by year 15
General Partner Equity	\$961,849	Developer contribution
Tax Credit Equity	\$33,912,411	\$1.04 price per credit

\* Low land cost due to land dedication  
from market rate development



# 2019 GO Housing Bond

- \$600 Million
- 2,202 units funded through December 2022
- \$426.1M available through two issuances so far; 46% of first issuance expended as of 12/2022
- 100% of bonds to be issued with third issuance (2024)
- 100% of funds expected to be expended 12-18 months after construction closing, or by 2026.

Expenditure schedule driven by Laguna Honda Senior Housing project, which is delayed.

	Issuance 1	Issuance 2	Other Issuances	TOTAL
Public Housing	\$ 50.6	\$ 97.9	\$ 1.5	\$ 150.0
Low-Income Housing	\$ 143.7	\$ 38.6	\$ 37.7	\$ 220.0
Preservation and Middle-Income Housing	\$ 37.1	\$ 9.4	\$ 13.5	\$ 60.0
Senior Housing	\$ 21.2	\$ 20.4	\$ 108.4	\$ 150.0
Educator Housing	\$ -	\$ -	\$ 20.0	\$ 20.0
TOTAL	\$ 252.6	\$ 166.3	\$ 181.1	\$ 600.0

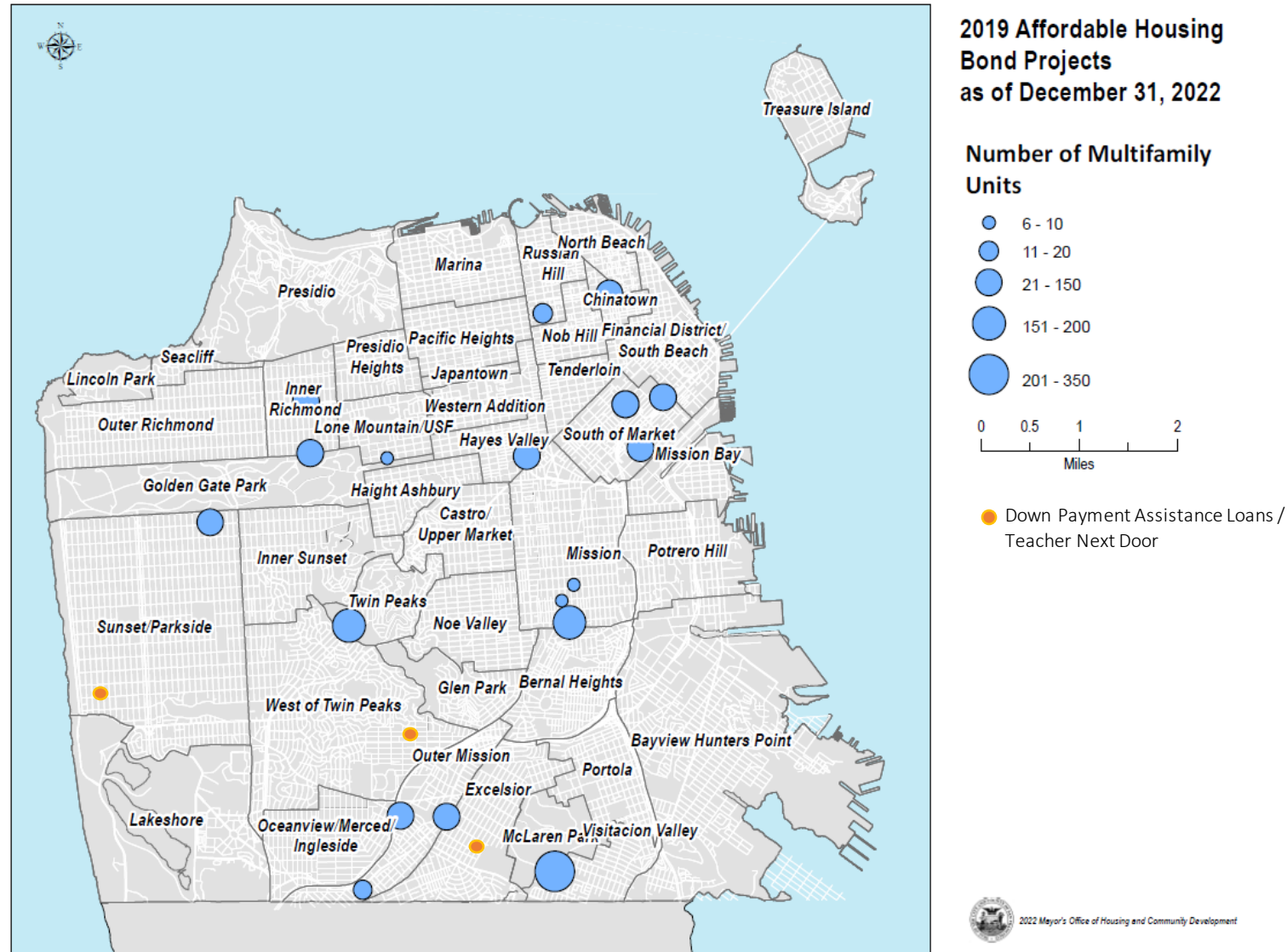
\* Cost of issuance amounts are included in Other Issuances.

# 2023 Certificates of Participation (COPs)

\$112 Million - First issuance in November 2023

Site acquisition	MOHCD selected 5 new sites that will result in over 550 new affordable rental units	\$40M
Acquisition of community facilities	MOHCD has selected 3 projects to date, with the remaining selected in late CY 2023	\$30M
Public housing/ Coop repairs	MOHCD will issue a NOFA in Fall 2023 for urgent repairs	\$20M
Elevator repairs in SROs	HSH will issue a NOFA in late CY 2023	\$10M
	Total	<b>\$112M</b>

# 2019 GO Housing Bond Projects





# PROJECT SPOTLIGHT: 2019 BONDS

## 2550 IRVING STREET: 89 FAMILY UNITS, 22 FOR FORMERLY HOMELESS HOUSEHOLDS

Funding Source	Amount	Restrictions / Terms
Tax Exempt Bank Loan	\$1,710,000	7.17% interest 25 years
MOHCD Gap Loan (includes Bond funds)	\$17,700,669	3% Interest 55-year term
HCD Multifamily Housing Program (MHP)	\$29,363,536	3% interest 55-year term, 0.42% mandatory payment
HCD – Infill Infrastructure Program	\$6,999,486	Grant
Tax Credit Equity	\$44,945,153	\$0.96 price per credit
Federal Home Loan Bank – Affordable Housing Program	\$1,000,000	0% deferred
HCD - Community Development Funding	\$500,000	0% deferred
Deferred Interest	\$559,302	
Deferred Dev Fee	\$699,000	Paid out of cash flow by year 15



2550 Irving Street view from Irving and 27th Ave. (rendering by PYATOK)

# Lessons Learned from 2015/2019 Bonds



Project schedules are less certain today: bond and tax credit funding from the State is not guaranteed anymore



Construction and operating costs are increasing  
Local funds support fewer projects



Interest rates and cost risk require flexible per project funding



SB35 has shortened entitlements timelines



Middle income affordable housing struggles to leverage State funding



# Context Affordable Housing Funding



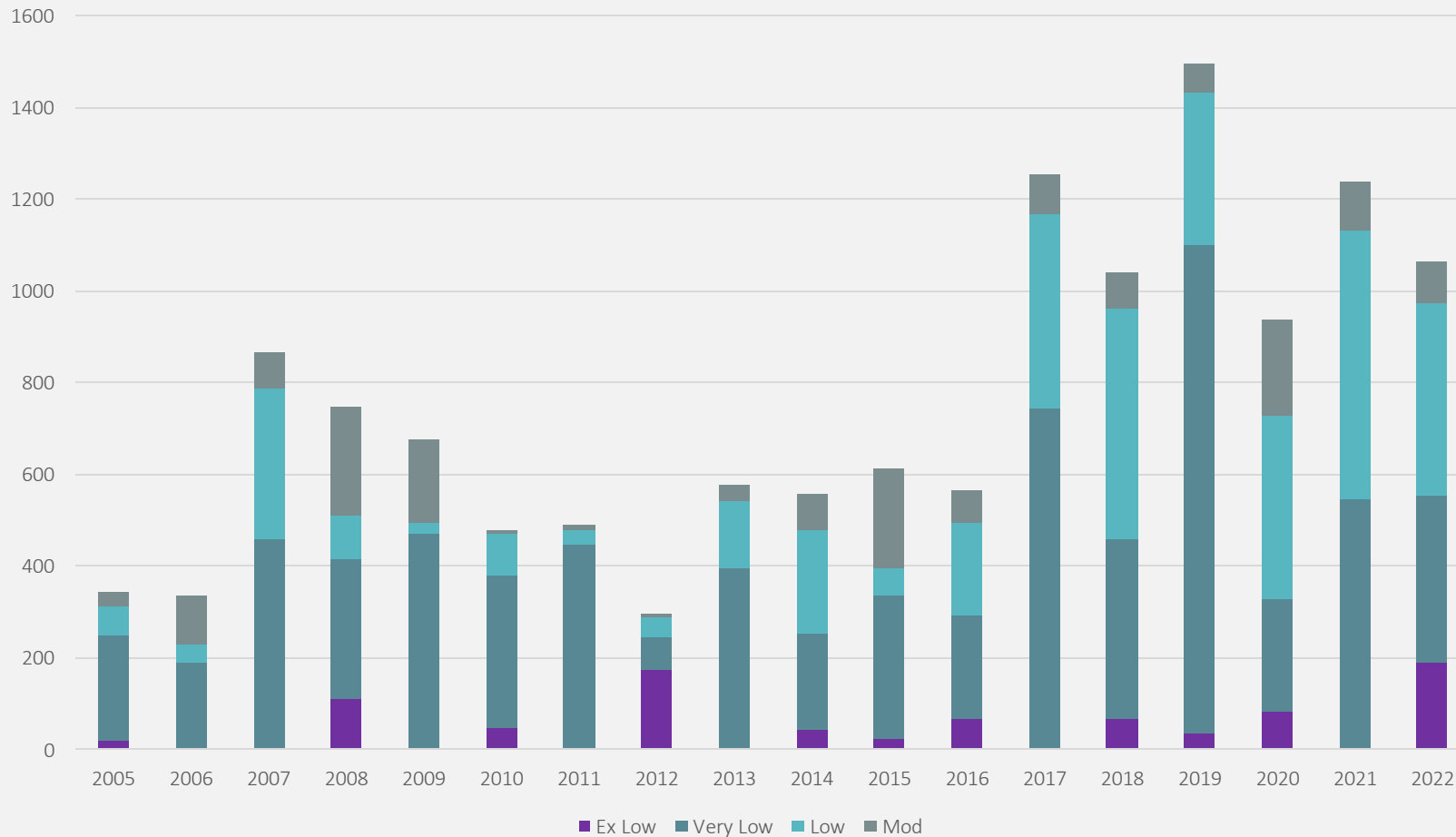
# Affordable Housing Funding

- **GO Bonds are the most reliable funding source for affordable housing in San Francisco**
- **Most other local funding sources are generated by private development** and therefore fluctuate with the market
- **Federal and state funding is less predictable** but still provides bulk of funding, leveraging City funds at a rate of 1:2
- **Funding falls short of what's needed by billions annually**
  - \$19B in local funds needed to achieve Housing Element targets based on current housing delivery models and costs
- **High development costs**, particularly hard costs, undermine housing goals



# More Funding = More Production

Annual Affordable Housing Production by Year



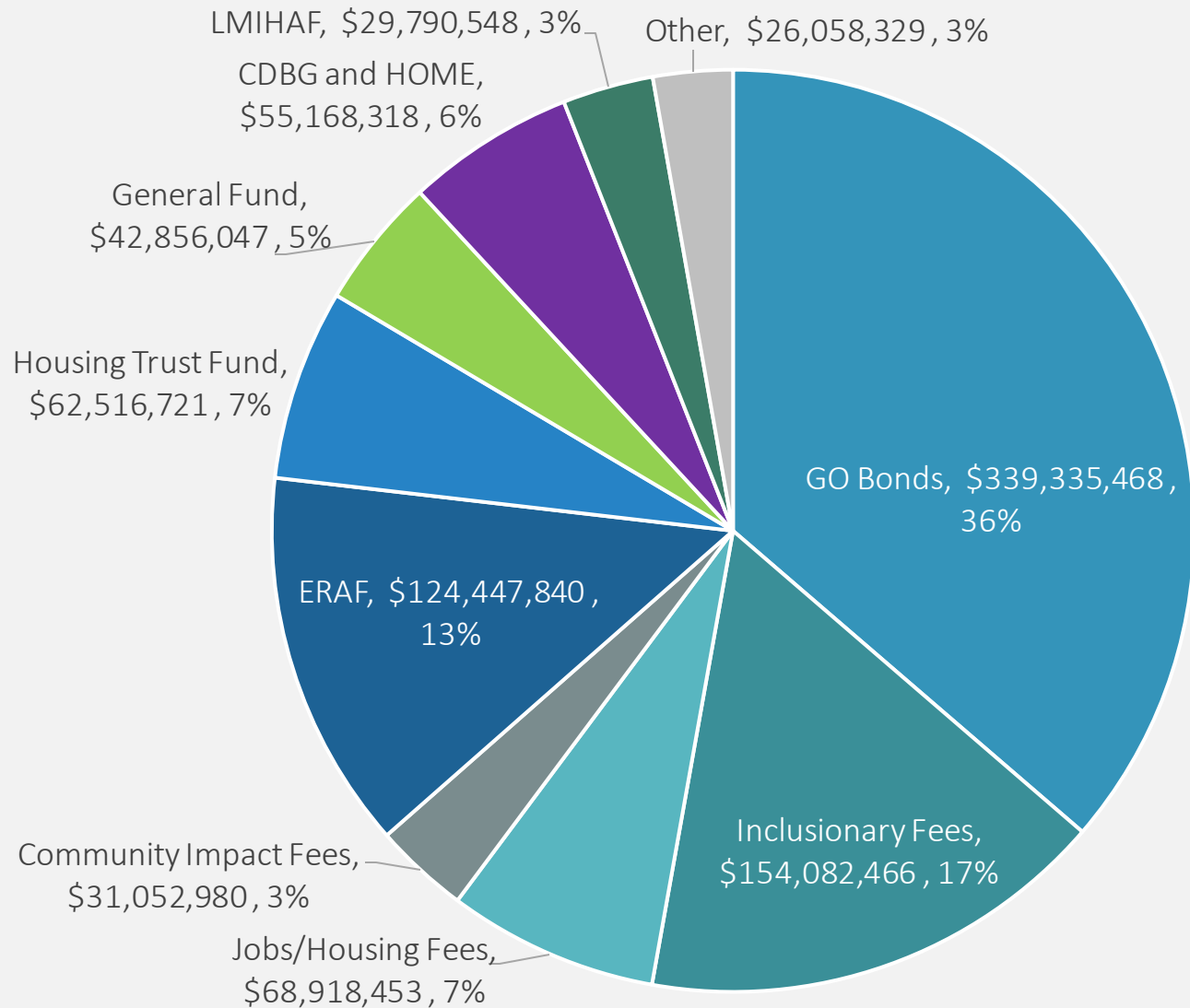
Production has doubled since 2016

Traditionally inclusionary has represented ~1/3 of total units

Preservation and acquisitions also increased:

- Small Sites & Affordable Preservation: 1,155 units Since 2018
- RAD conversions: 3,443 units since 2016
- PSH acquisitions: 667 units in 2022 with local funds and HomeKey

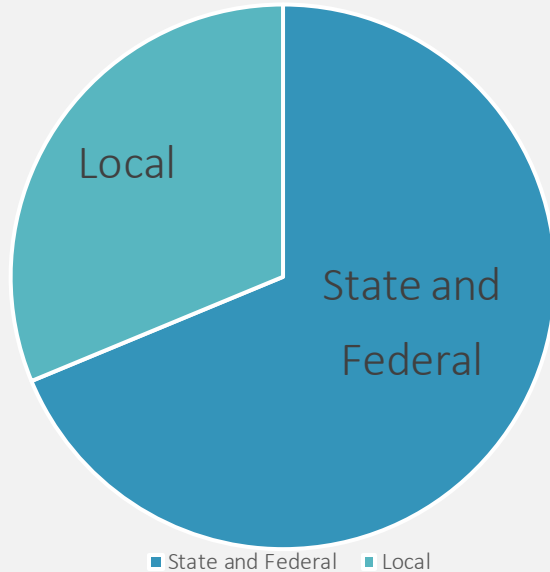
# Local Funding 2018-2022



- **Nearly \$1 Billion in local funding over last 5 years**
- **\$200 million per year** on average (\$500 million in 22-23)
- **Most funding comes from property taxes** (GO Bonds, ERAF, Housing Trust Fund, OCII tax increment) or **development fees**
- **Gross receipts tax for homelessness** ~\$200 million (not shown here)

# The Importance of Leveraging

SF Affordable Housing Funding

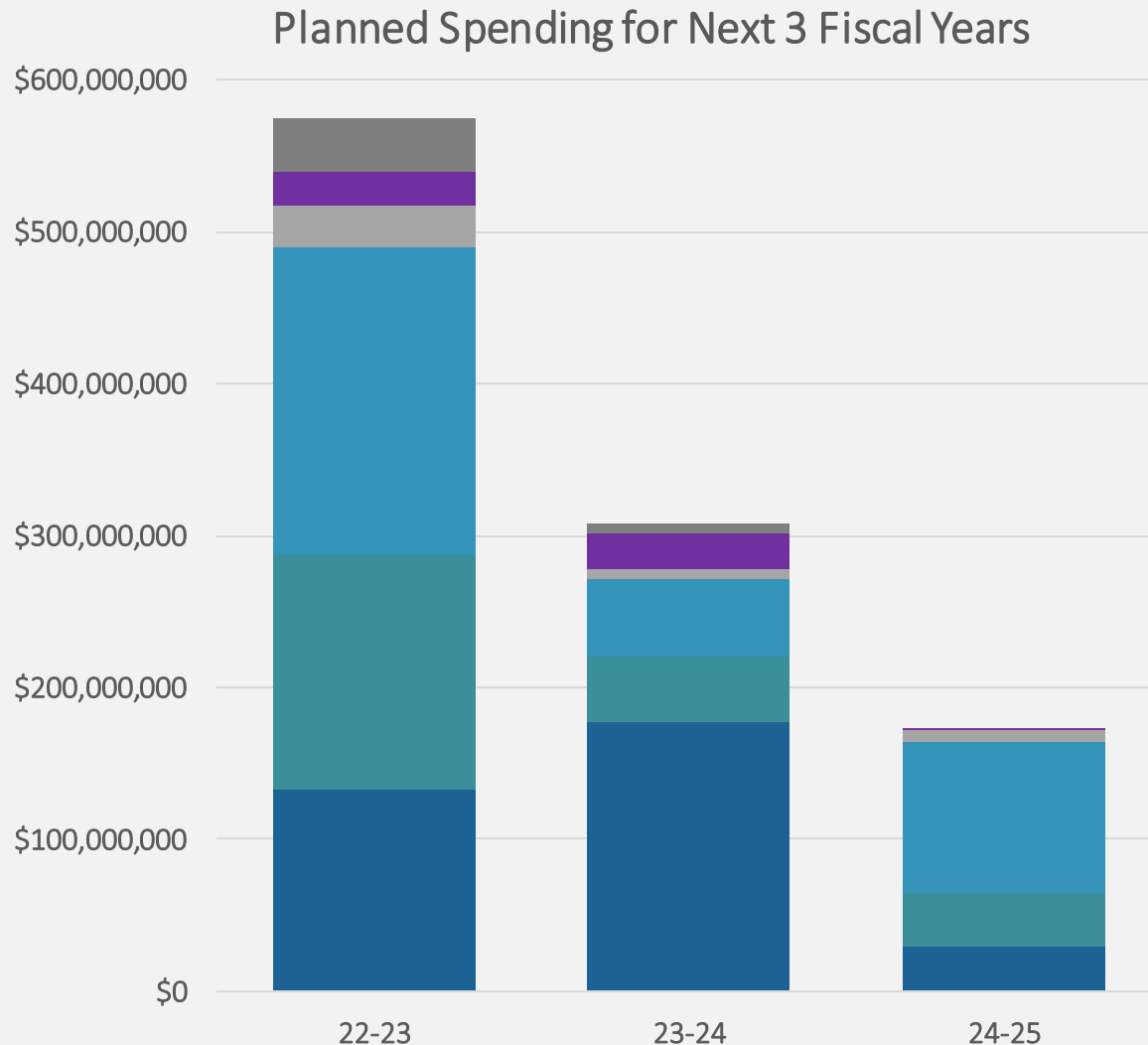


Every local housing dollar leverages almost two state and/or federal housing dollars

From 2018-2022 SF spent \$1 billion on affordable housing and leveraged \$2 billion in other funding



# Local Funding Trends



- Local funding is volatile, depending on voter approvals, development cycle, and one-time allocations
- Dramatic drop in inclusionary fees
- Available funding sources are being used up: \$770M+ anticipated funding gap from FY24-25 to FY26-27
- Substantial local spending in FY22-23 after State bottleneck was cleared

■ State and Regional Sources  
■ Federal Sources (CBDG/HOME)  
■ Prop I/Bond Fees  
■ GO Bonds  
■ City Fees (Inclusionary, Job/Housing, etc)  
■ General Fund (HTF, HOPE SF, LMIHAF, ERAF)



# San Francisco's Needs for Affordable Housing

**18,146** low-income renter households do not have access to an affordable home

**58%** of extremely low income (ELI) households are paying more than half of their income on housing costs compared to 1% of moderate-income households

**45%** of ELI Older Adult Households are paying more than half of their income on housing costs (2021)

**83%** of ELI Households with young children are paying more than half of their income on housing costs (2021)

Very Low-Income households face the **highest rate of overcrowding** (2021)

- Source: California Housing Partnership Corporation 2023. <https://chpc.net/housingneeds/?view=37.405074,-119.26758,5&county=San+Francisco&group=housingneed&chartgroup=cost-burden-parent|current&chart=shortfall|current,cost-burden-all|current,cost-burden-oa,cost-burden-yc,cost-burden-re|current,homelessness,overcrowding,tenure-re,historical-rents,vacancy,asking-rents|2023,budgets|2021,funding|current,state-funding,lihtc|2010:2022:historical,rhna-progress|5,multifamily-production>

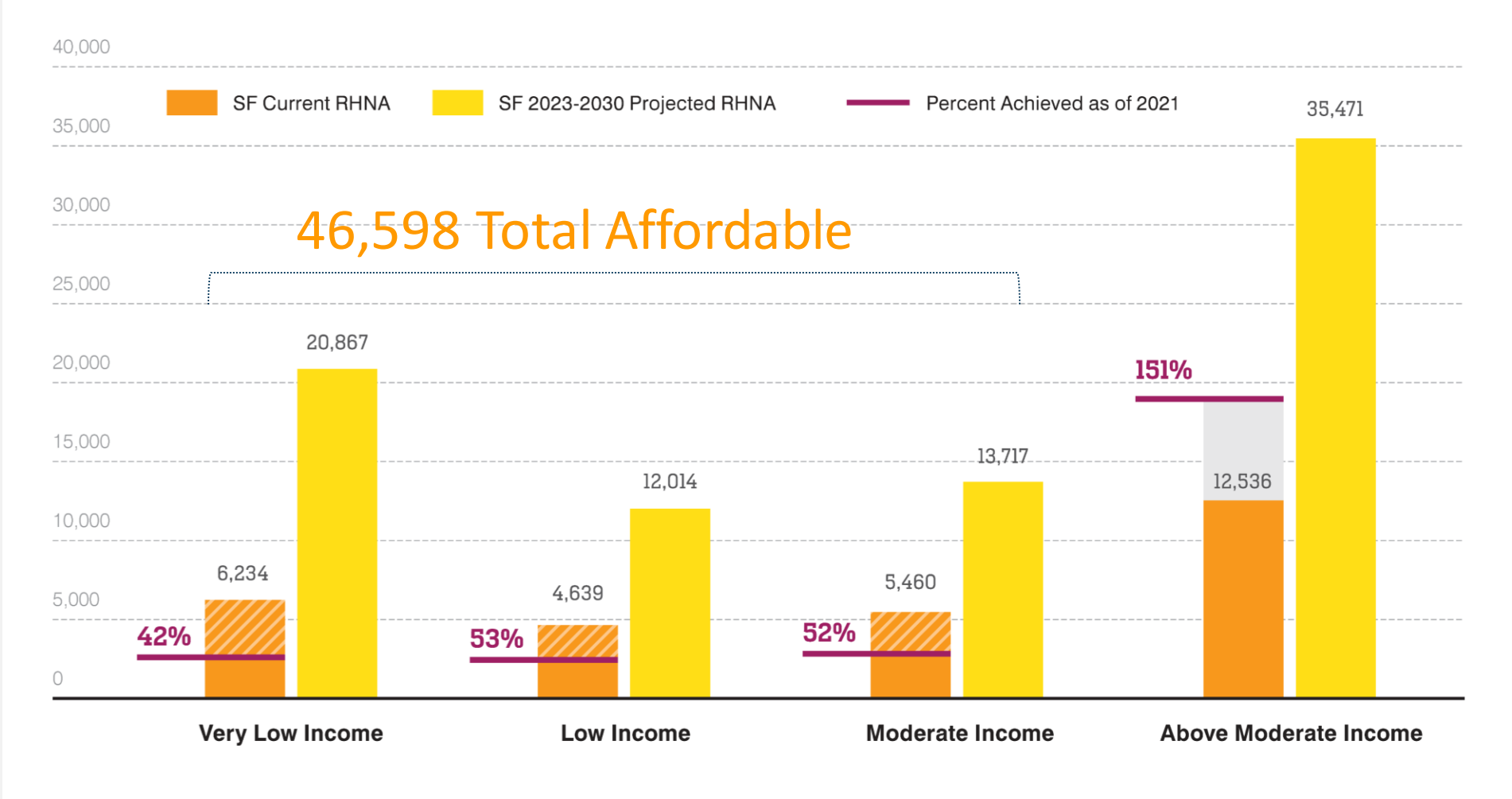
# 2022 Housing Element

- First San Francisco Housing Element rooted in **racial and social equity** with state mandate to **affirmatively further fair housing**
- Focus on **expanding housing choices** while repairing harm to communities of color and lower income communities
- **Shift in growth patterns** - from large housing projects concentrated on east side to mid-size projects throughout the city
- **New state laws** put greater focus on housing elements and enforcement
- New RHNA methodology led to **steep increase in housing targets**

## Implementation Next Steps

- Expanding Housing Choice zoning changes in western San Francisco
- Mayor Breed's "Housing for All" Executive Directive called on all departments to evaluate and improve how they facilitate housing production
- The Executive Directive calls for the creation of a Leadership Council to develop an affordable housing funding strategy.
- Legislation to reduce barriers to entitlements and permits in response to analysis that SF has the longest timeframe for approvals in the state.

# SF's Housing Element goals for Affordable Housing



Housing production will need to dramatically increase-  
**especially affordable homes**

VLI target includes ~2/3 ELI

# 2024 Bond Program Areas



1939 Mission, LGBTQ-friendly Senior Housing



# Affordable Housing Pipeline Gaps

New Development	Number of units	Public Housing	Low Income	Preservation	Senior	Total Funding Gap
Predevelopment	1,216 (8 sites)	\$96M	\$88M	\$52M	\$31M	\$268M
Pre-feasibility	3,570 (12 sites)	\$6.8M	\$586M	\$0	\$0	\$593M

Program Area	Number of units	Total Funding Gap
Downpayment Assistance	30	\$12M
Small Sites Preservation	60	\$30M

**\$900M funding need to meet all pipeline and programmatic goals through FY28-29**

- Additional MOHCD staffing capacity may be required to deploy these funds

# Program Categories for 2024 Bond

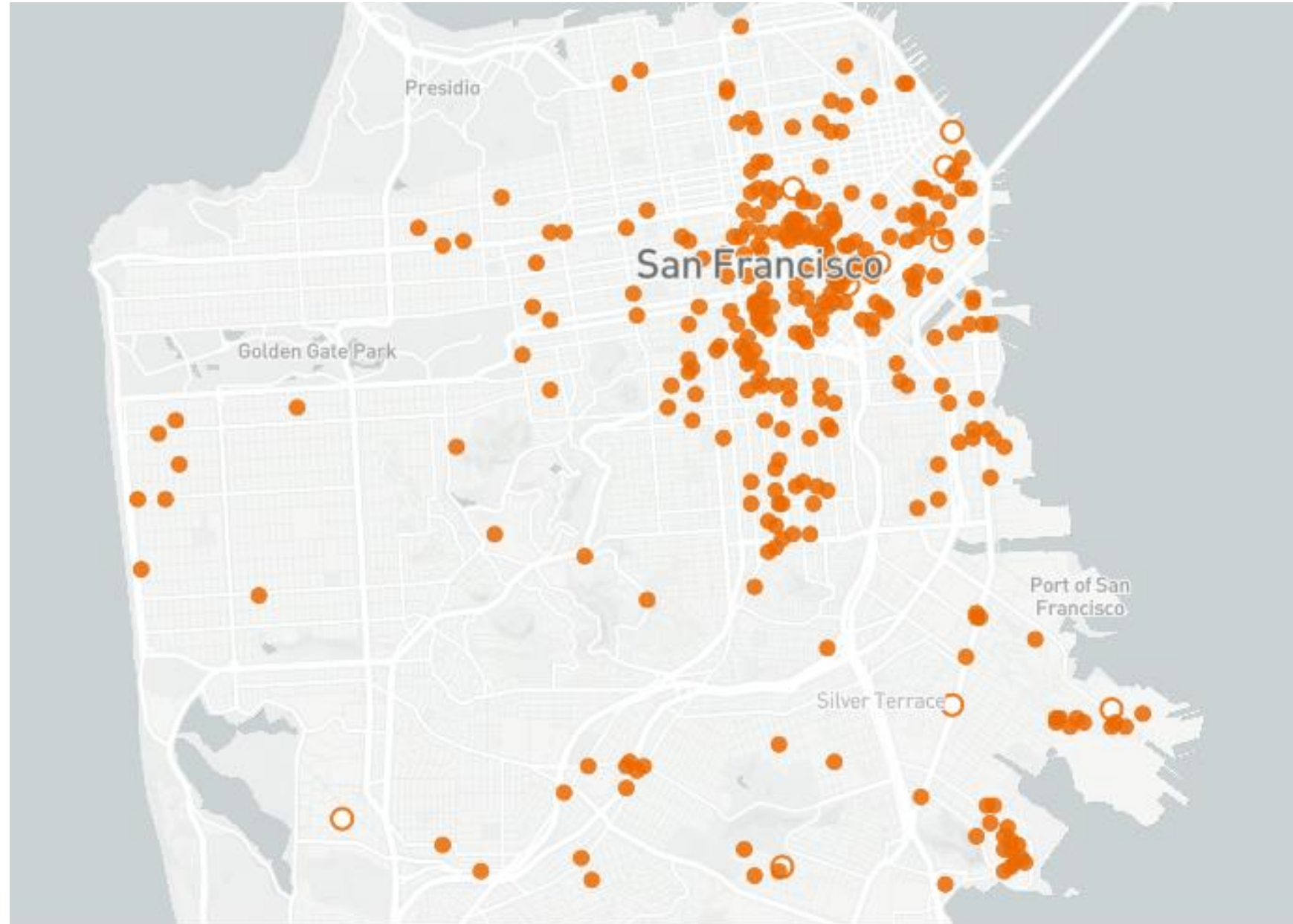
New Construction of Low-Income Housing (up to 80% AMI)	\$258 Million
Affordable Housing Preservation (30% to 120% AMI)	\$30 Million
Home Ownership Opportunities (Up to 200% AMI)	\$12 Million
TOTAL	\$300 Million

Bond Priority Area #1

New Construction

\$258,000,000

# MOHCD Affordable Housing Pipeline



April 2023, Source: <https://data.sfgov.org/d/7dpd-r63z>



# New Construction Projects

\$258 million

Project Name	Public Housing	Low Income	Senior	Units
Potrero Yard Family Housing		\$25,000,000		100
Balboa Reservoir Family Housing		\$27,000,000		309
1939 Market Senior Housing			\$25,000,000	287
967 Mission Senior Housing			\$7,000,000	96
Treasure Island Projects 4 (Senior) and 5 (Family)		\$27,000,000	\$25,000,000	220
260 Golden Gate Permanent Supportive Housing for Single Adults		\$36,000,000		120
Sunnydale HOPE SF Family Housing Blocks 7 and 9	\$53,000,000			184
Potrero HOPE SF - Phase 3 infrastructure	\$43,000,000			213
<b>TOTALS</b>	<b>\$96,000,000</b>	<b>\$115,000,000</b>	<b>\$57,000,000</b>	<b>1,429</b>

*Project list is subject to change based on feasibility for State and Federal resources*

Bond Priority Area #2

Preservation

\$20,000,000

# Preservation Programs

Preservation and Seismic Safety (PASS) Program

Small Sites Program

# Small Sites Program

**Stabilizes at-risk communities by preventing displacement and increasing housing stability**

Protects households across the widest range of incomes

(30%-120% AMI, or \$35,950-\$143,900 for a family of 3)

Keep residents in their homes regardless of income.

660+ units converted to permanently affordable to date

Adds permanently affordable housing where it is at the highest risk of conversion to market rates.

Funds critical repairs

Improves the safety and quality of San Francisco's existing housing stock.

Invests in a sustainable CBO ecosystem.

Leverages partnerships with specialized CBOs to achieve City's acquisition and preservation goals.

Bond Priority Area #3

Middle Income  
Homeownership

\$12,000,000





# Homeowner Programs

## Down Payment Assistance Loan Program (DALP)

- Up to \$500,000
- Low- to middle-income first-time homebuyers
- For a primary residence
- A silent second loan that requires no monthly payments
- When the property is sold or transferred, the owner pays MOHCD the principal loan amount + an equitable share of appreciation

# 2024 Bond: Racial and Equity Goals

- Provide housing opportunities in High Resource Areas
- Stabilize communities in priority geographies
- Provide a range of unit sizes and location to meet diverse housing needs
- Align with Housing Element Goals



# 2024 Bond: Climate Resilience Impacts

## **100% Affordable projects support climate resiliency:**

All electric – Since 2020, MOHCD projects are all electric

Public Power – MOHCD projects built on City land receive renewable electric service from SFPUC (those that aren't on City land have option for CleanPower SF)

Photovoltaic (PV/solar) on most MOHCD projects

High standards of air filtration

Graywater requirements apply to many 100% affordable housing projects

New projects include state-of-the-art recycling and compost facilities

High percentage of voluntary LEED and other Green certifications

Expanded back-up battery options for resiliency during extreme heat / blackouts

Raised ground floors for future sea rise / storm surge

Stormwater management strategies including permeable pavers, bio filtration, mostly notable at large, multiphase sites (HOPE SF)

Grant funding from the Strategic Growth Council for the Affordable Housing and Sustainable Communities (AHSC) program supports affordable housing as well as transportation improvements that reduce greenhouse gases (e.g., grants for BART, MUNI, DPW)

# 2024 Bond: Spending Timeline

New Construction: \$258M

- ~\$130 M in loans will close in 24-25

  - Funds anticipated to be fully expended by Q3 of 25-26

- ~\$130M in loans will close in 25-26

  - Funds anticipated to be fully expended by Q3 of 26-27

  - \*\*Contingent on successful applications to State for tax credits and bonds\*\*

Preservation: \$30M

- Funds anticipated to be fully expended in 25-26

Downpayment Assistance: \$12M

- Funds anticipated to be fully expended by end of 25-26

# Potential Opportunities & Risks

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Opportunity: Affordable Housing is Economic Recovery; Pipeline is rebounding post COVID

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Opportunity: Allows the City to meet project commitments it has already made

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Opportunity: Sets the stage for other potential large funding streams

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Risk: CDLAC is no longer a reliable source of leverage

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Risk: Financial markets remain volatile



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