April 18, 2003

Ms. Marcia Rosen, Executive Director
San Francisco Redevelopment Agency
770 Golden Gate Avenue
San Francisco, California 94102

Re: Certification of San Francisco’s Need to Replace Affordable Housing Units

Dear Ms. Rosen:

This is in response to your request for the Department of Housing and Community Development (Department) to certify the San Francisco Redevelopment Agency’s (Agency) affordable housing replacement need pursuant to Chapter 661, Statutes of 2000 (SB 2113). As you know, the statute specifically authorizes the Agency to extend time limits no later than January 1, 2014 to incur indebtedness exclusively for affordable housing activities. Chapter 661 also required the Department, in consultation with the Agency, to certify the net difference between units demolished and units replaced in pre-1976 project areas.

Your correspondence provided information identifying applicable project areas and described the resources and methodology used to determine the number of units demolished and replaced. The information shows 14,207 units were demolished and 7,498 units have been replaced resulting in a net loss of 6,709 affordable units the Agency must replace. In reviewing Agency information, Department staff conferred with Mr. Olson Lee, Agency Assistant Deputy Executive Director.

Based on our staff’s review of information submitted and the Agency’s representation, the Department certifies the Agency has an unmet affordable housing replacement need. As you are aware, Chapter 661 includes other requirements that must be addressed to extend project area time limits. If we can provide further assistance in addressing these requirements, please feel free to contact Glen Campora, Manager, Division of Housing Policy Development, at (916) 327-2640.

For your information, we are pleased to report that passage of Proposition 46 provided a historic increase in funds available, on a competitive basis, through the Department to assist cities in addressing their housing and community development needs. Information on these programs, including Notices of Funding Availability (NOFA), is posted on the Department’s website at www.hcd.ca.gov. These funds may also be useful in assisting the Agency in meeting San Francisco’s affordable housing need.

Sincerely,

Julie Bornstein
Director
February 4, 2003 118-06503-196

Ms. Julie Bornstein, Director
Department of Housing and Community Development
1800 Third Street
P.O. Box 952050
Sacramento, CA 94252-2050

Dear Ms. Bornstein:

On September 24, 2000, the Honorable Gray Davis signed Senate Bill 2113 (the “Bill”) into law. The Bill added Section 33333.7 to the California Health and Safety Code (the “Law”), relating to redevelopment, and specifically Low and Moderate Income Housing Fund (LMIHF”) activities within the City and County of San Francisco. A copy of the Bill, as filed with the Secretary of State on September 26, 2000, is enclosed for your review.

The Bill authorizes the Redevelopment Agency of the City and County of San Francisco (the “Agency”) to incur indebtedness exclusively for LMIHF activities until January 1, 2014, or until the Agency replaces all of the housing units demolished prior to January 1, 1976, the effective date of the replacement housing obligations imposed on redevelopment agencies, and to receive tax increment revenues to repay indebtedness incurred for those activities until no later than January 1, 2044. Pursuant to Section 33333.7(d) of the Law the Agency may not incur indebtedness pursuant to this section unless the Director of the California Department of Housing and Community Development (“HCD”) certifies, after consulting with the Agency, that there remains a deficit of housing units affordable to persons and families of low and moderate income that the Agency assisted in having rehabilitated, developed, or constructed within the Redevelopment Project Areas adopted prior to January 1, 1976.

This correspondence addresses only the calculation necessary for your 33333.7(d) certification of housing units lost in the Agency’s older redevelopment project areas. On a separate occasion, at a point closer to the Agency’s first incurring indebtedness pursuant to the Law, the Agency will submit the information to HCD the other certifications pertaining to San Francisco’s Housing Element, the Agency’s most recent financial audit report, and the Agency’s overall compliance with elements of the California Community Redevelopment Law.
The Agency project areas (the "Project Areas") covered by the Bill include the following:

<table>
<thead>
<tr>
<th>Project Areas</th>
<th>Plan Adoption Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Heights</td>
<td>October 24, 1955</td>
</tr>
<tr>
<td>Western Addition A-1</td>
<td>May 26, 1956</td>
</tr>
<tr>
<td>Golden Gateway</td>
<td>May 25, 1959</td>
</tr>
<tr>
<td>Western Addition A-2</td>
<td>October 13, 1964</td>
</tr>
<tr>
<td>Yerba Buena Center</td>
<td>April 25, 1966</td>
</tr>
<tr>
<td>Hunters Point</td>
<td>January 20, 1969</td>
</tr>
<tr>
<td>India Basin Industrial Park</td>
<td>January 20, 1969</td>
</tr>
</tbody>
</table>

Based upon a review of Agency records, the Agency has determined that a total of 14,207 low and moderate income dwelling units were lost due to redevelopment activity in the Project Areas. In those Project Areas, 7,498 dwelling units affordable to households of low and moderate income have been rehabilitated, developed, or constructed. This constitutes a net loss of 6,709 low- and moderate-income dwelling units that were lost prior to replacement housing obligations instituted January 1, 1976. The following are a list of resources and the methodology used in making our determination:

1. VISI Cards, identifying parcels with orders for demolition, for select Project Areas;
2. Demolition logs for select Project Areas;
3. Parcel Appraisals for select Project Areas, including descriptions of improvements, for parcels in select Project Areas;
4. Monthly Demolition Reports for select Project Areas;
5. Payment Records for Demolition for select Project Areas;
6. Physical Progress Reports, submitted to HUD, documenting demolition activities for India Basin Industrial Park;
7. "A listing of Demolished Buildings as of June 3, 1975" for the Western Addition A-2;
8. Report Entitled "Redevelopment Projects in Execution in San Francisco", dated December 1, 1966, citing residential unit acquisition figures for select Project Areas;
9. Report entitled "I'm Glad You Asked", dated February 25, 1958, citing residential unit acquisition figures for select Project Areas:
10. Yerba Buena Center Residential Hotel List;
12. 1995-1996 Summary of Project Area Data and Key Elements for accounting of low and moderate income units produced; and

For each of the following Project Areas, the Agency staff used the following methodology and sources:
Diamond Heights


Western Addition A-1


Golden Gateway


Western Addition A-2


Yerba Buena Center

Cross reference of VISI Cards, Parcel Appraisals, Payment Records for Demolitions, and YBC Residential Hotel List to verify number of units demolished. Review of “Allhouse” database and 1995-1996 Summary of Project Area Data and Key Elements to identify low- and moderate-income units produced.

Hunters Point


India Basin Industrial Park

A net loss accounting of units by Project Area is as follows:

<table>
<thead>
<tr>
<th>Project Area</th>
<th>Units Lost</th>
<th>Units Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Heights</td>
<td>52</td>
<td>458</td>
</tr>
<tr>
<td>Western Addition A-1</td>
<td>3,893</td>
<td>685</td>
</tr>
<tr>
<td>Golden Gateway</td>
<td>1,301</td>
<td>0</td>
</tr>
<tr>
<td>Western Addition A-2</td>
<td>3,216</td>
<td>3,320</td>
</tr>
<tr>
<td>Yerba Buena Center</td>
<td>4,743</td>
<td>1,526</td>
</tr>
<tr>
<td>Hunters Point</td>
<td>921</td>
<td>1,469</td>
</tr>
<tr>
<td>India Basin Industrial Park</td>
<td>81</td>
<td>0</td>
</tr>
<tr>
<td><strong>Totals:</strong></td>
<td><strong>14,207</strong></td>
<td><strong>7,498</strong></td>
</tr>
</tbody>
</table>

**Net Loss: 6,709**

The resources listed above constitute the most accurate information available on the subject and are available for review by HCD staff. In the event of conflicting sources, the Agency has chosen to use the lesser number of units demolished. The numbers presented can be documented, and the Agency acknowledges that its SB2113 replacement goals are, at minimum, the number represented herein.

The Agency very much looks forward to your certification of the above numbers. We are committed to carrying out the Legislature's and the Governor's intent in adopting the Bill and to continuing the Agency's aggressive affordable housing efforts. Should you require additional information regarding our request for certification, please do not hesitate to contact Mr. Olson Lee, Assistant Deputy Executive Director, Housing, at (415) 749-2479. Thank you for your assistance in this matter of critical importance to San Francisco in meeting its affordable housing needs.

Sincerely,

Marcia Rosen
Executive Director

Enclosure
Senate Bill No. 2113

CHAPTER 661

An act to add Section 33333.7 to the Health and Safety Code, relating to redevelopment.

[Approved by Governor September 24, 2000. Filed with Secretary of State September 26, 2000.]

LEGISLATIVE COUNSEL'S DIGEST

SB 2113, Burton. Redevelopment plans: San Francisco.

The Community Redevelopment Law prescribes time limits on the effectiveness of, and the establishing and payment of debt and the receipt of property taxes pursuant to, redevelopment plans adopted on or before December 31, 1993, and authorizes a 10-year extension of those time limits, as specified. The Community Redevelopment Law also imposes specified requirements relating to replacement of low- or moderate-income housing units that are removed or destroyed.

This bill would authorize the Redevelopment Agency of the City and County of San Francisco, subject to the approval of the board of supervisors of that city and county, to incur indebtedness exclusively for Low and Moderate Income Housing Fund activities until January 1, 2014, or until the agency replaces all of the housing units demolished prior to the enactment of the replacement housing obligations, whichever occurs earlier, and to receive tax increment revenues to repay indebtedness incurred for those activities until no later than January 1, 2044, as specified. The bill would prohibit the agency from incurring that indebtedness until the Director of Housing and Community Development certifies the net difference between those housing units destroyed prior to January 1, 1976, and those rehabilitated, developed, or constructed, prior to that date.

The people of the State of California do enact as follows:

SECTION 1. (a) It is the intent of the Legislature in enacting this act to enable the Redevelopment Agency of the City and County of San Francisco to redress the demolition of a substantial number of residential dwelling units affordable to very low, low-, and moderate-income households during the agency's earlier urban renewal efforts. San Francisco's housing situation is unique, in that median rents and sales prices are among the highest in the state even though it has consistently exceeded the housing production goals of the Community Redevelopment Law and has used local funds beyond the Low and Moderate Income Housing Fund to assist
affordable housing development. San Francisco's early redevelopment activities, including the removal of previously existing dwelling units serving a lower income population, have compounded the effects of the private market that have led to the city's current affordable housing crisis.

(b) The Legislature finds and declares that prior to the enactment of the replacement housing obligations in Section 33413 of the Health and Safety Code (Chapter 970, Statutes of 1975), agencies destroyed or removed dwelling units housing persons and families of low or moderate income without replacing those units. In particular, some of San Francisco's existing redevelopment project areas have fewer housing units affordable to low- and moderate-income households than were in existence prior to the initiation of urban renewal activities. Four of San Francisco's project areas adopted prior to 1970 experienced a combined net loss of approximately 7,000 units of housing affordable to low- and moderate-income households since the initiation of redevelopment activities. The Redevelopment Agency of the City and County of San Francisco, due to its unique housing situation and net loss of affordable housing units in these project areas, wishes, to the greatest extent feasible, to replace these lost units according to the formulas set forth in Section 33413 of the Health and Safety Code.

(c) The Legislature further finds and declares that allowing the Redevelopment Agency of the City and County of San Francisco to replace units destroyed or removed prior to the enactment of the replacement housing obligations in 1975 is consistent with a fundamental purpose of the Community Redevelopment Law identified in subdivision (a) of Section 33334.6 of the Health and Safety Code, namely the provision of affordable housing.

(d) The Legislature further finds and declares that the time limits for incurring indebtedness in Section 33333.6 of the Health and Safety Code impede the efforts of the Redevelopment Agency of the City and County of San Francisco to replace affordable housing units destroyed or removed prior to the enactment of the replacement housing obligations in 1975.

(e) The Legislature further finds and declares that the Redevelopment Agency of the City and County of San Francisco should be granted a limited continuance of specific tax increment financing powers to achieve its goal of replacing housing units, and that this continuance will have no fiscal impact on the state.

(f) This limited continuance in no way affords the Redevelopment Agency of the City and County of San Francisco an extension of any of its powers, above and beyond tax increment financing and the collection of tax increment to repay indebtedness exclusively to support Low and Moderate Housing Fund activities, nor does it signify the extension or expansion of the redevelopment plans or
activities to which paragraph (1) of subdivision (a) of Section 33333.6 of the Health and Safety Code applies.

SEC. 2. Section 33333.7 is added to the Health and Safety Code, to read:

33333.7. (a) Notwithstanding the time limits in paragraph (1) of subdivision (a) of Section 33333.6, the Redevelopment Agency of the City and County of San Francisco may, subject to the approval of the Board of Supervisors of the City and County of San Francisco, retain its ability to incur indebtedness exclusively for Low and Moderate Income Housing Fund activities eligible under Sections 33334.2 and 33334.3 until January 1, 2014, or until the agency replaces all of the housing units demolished prior to the enactment of the replacement housing obligations in Chapter 970 of the Statutes of 1975, whichever occurs earlier. The ability of the agency to receive tax increment revenues to repay indebtedness incurred for these Low and Moderate Income Housing Fund activities may be extended until no later than January 1, 2044. Nothing in this paragraph shall be construed to extend a plan’s effectiveness, except to incur additional indebtedness for Low and Moderate Income Housing Fund activities, to pay previously incurred indebtedness, and to enforce existing covenants, contracts, or other obligations.

(b) Annual revenues shall not exceed the amount necessary to fund the Low and Moderate Income Housing Fund activities of the agency. The agency shall neither collect nor spend more than 10 percent for the planning and administrative costs authorized pursuant to subdivision (e) of Section 33334.3. Revenues received under this paragraph shall not exceed the amount of tax increment received and allocated to the agency pursuant to the plan, as it has been amended, less the amount necessary to pay prior outstanding indebtedness, and less the amount of the project area’s property tax revenue that school entities are entitled to receive pursuant to Chapter 3 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code if the plan had not been amended. Additionally, revenues collected under this paragraph are subject to the payments to affected taxing entities pursuant to Section 33607.

(c) The activities conducted with revenues received under this paragraph shall be consistent with the policies and objectives of the community’s housing element, as reviewed and approved by the department, and shall address the unmet housing needs of very low, low- and moderate-income households. The activities shall also be consistent with the community’s most recently approved consolidated and annual action plans submitted to the United States Department of Housing and Urban Development, and if the director deems it necessary, the annual action plans shall be submitted to the department on an annual basis. No less than 50 percent of the
revenues received shall be devoted to assisting in the development of housing that is affordable to very low income households.

(d) The agency shall not incur any indebtedness pursuant to this paragraph until the director certifies, after consulting with the agency, the net difference between the number of housing units affordable to persons and families of low and moderate income that the agency destroyed or removed prior to January 1, 1976, and the number of housing units affordable to persons and families of low and moderate income that the agency rehabilitated, developed, or constructed, or caused to be rehabilitated, developed, or constructed within the project areas adopted prior to January 1, 1976.

(e) The agency shall not incur any indebtedness pursuant to this paragraph unless the director of the department certifies annually, prior to the creation of indebtedness, all of the following:

1. The community has a current housing element that substantially complies with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

2. The community's housing element indicates an unmet need for Low and Moderate Income Housing Fund activities.

3. The agency's most recent independent financial audit report prepared pursuant to Section 33080.1 reports acceptable findings and no major violations of this part.

4. The agency has complied with subdivision (a) of Section 33334.2.

5. The agency has met the requirements of this part with respect to the provision of dwelling units for persons and families of low or moderate income, including, but not limited to, the requirements of Section 33413.