SUMMARY

SB 1404 will provide a remedy for the destruction of low- and moderate-income housing units during urban renewal (1955-1975) that were never replaced.

Specifically, the bill will provide a narrow and tailored funding source to use to address the loss of 5,947 units that have not been replaced through a limited continuance of specific tax increment financing powers to fulfill the responsibility to replace the destroyed housing units.

BACKGROUND

Beginning in the 1950s, the Former San Francisco Redevelopment Agency received a significant amount of federal urban renewal funds to implement locally adopted redevelopment plans. Though the goal was to create vibrant, mixed-income communities and to eliminate blight, the result, in some instances, was that these redevelopment projects authorized the widespread clearance and relocation of communities, particularly lower income and minority populations. In San Francisco, the urban renewal process resulted in a net loss of 6,709 affordable housing units: housing for which there is still tremendous need.

As a remedy, the state amended the Community Redevelopment Law (CRL) in 1976 to require the replacement of affordable housing lost through early urban renewal activities. The CRL mandates a one-for-one replacement of the total number of units, as well as an equal or greater number of bedrooms.

Despite the 1976 mandate, in 2000, the California Legislature enacted special legislation acknowledging that the Former Redevelopment Agency had an unfulfilled replacement housing obligation resulting from its pre-1976 destruction of affordable housing (Senate Bill No. 2113). In adopting SB 2113, the Legislature made several significant findings, including that San Francisco’s housing situation is unique, as median rents and sales prices are among the highest in the state.

In 2003, the California Department of Housing and Community Development (HCD) certified a net loss of 6,709 affordable units, of which 735 have since been replaced.

The high cost of housing acknowledged in 2000 has dramatically increased; San Francisco's early redevelopment activities,
including the removal of previously existing affordable units, have compounded the effects of the city's current housing crisis. Construction funding for the remaining 5,947 replacement units certified by the HCD is a key component of San Francisco’s solution to our current housing shortage. State authorized funding for these units will leverage approximately $1 billion in public and private sources for affordable housing.

San Francisco’s Successor Agency to the Former Redevelopment Agency has taken seriously its charge to replace the remaining 5,947 affordable units, and has documented both the scope of the obligation and the need to allocate property tax revenues over time in order to fund the necessary construction.

The replacement housing obligation is an important remedy to redress the destruction of affordable housing. This bill will allow San Francisco to fulfill its obligation to replace 5,947 affordable units by authorizing the city to continue to use tax increment as it is generated in six specific former redevelopment areas.

**SOLUTION**

SB 1404 will allow the Successor Agency to the Redevelopment Agency of the City and County of San Francisco replace all of the housing units demolished prior to 1976. Specifically, the bill will:

- Create a limited funding source through the use of property tax revenues (former tax increment) from six specific redevelopment project areas to fulfill the replacement housing obligations;

- Allow the Successor Agency to bond against the property tax revenues from the six project areas exclusively for the purpose of fulfilling the replacement housing obligations subject to the same strict standards and procedures for review and approval by the oversight board and the State Department of Finance as other bonds under dissolution law;

- Dedicate the revenues to the development of affordable housing within the City and County of San Francisco for households that earn up to 120% Area Median Income (AMI), of which no less than 50% will be allocated to housing affordable to very low income households earning 50% or less of AMI;

- Extend tax increment authority for affordable housing purposes while protecting school funding and keeping the State’s general fund whole;

- Trigger time limits for incurring debt or receiving property tax revenues only when the Successor Agency has replaced all of the HCD-certified demolished units;

- Limit annual revenues to the amount necessary to fund the fulfillment of the identified, documented, and certified replacement housing obligations;

- Require reporting on the funded and completed numbers of replacement units.

**STATUS**

To be heard in Assembly Local Government Committee.
SUPPORT

- City and County of San Francisco, Edwin M. Lee, Mayor
- California Rural Legal Assistance Foundation
- Chinatown Community Development Center
- Council of Community Housing Organizations
- Mercy Housing
- Non-Profit Housing Association of Northern California
- Public Interest Law Project
- San Francisco Supervisor Malia Cohen
- Tenderloin Neighborhood Development Corporation
- Western Center on Law and Poverty

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Version: June 4, 2014