Office of Community Investment and Infrastructure

Workshop on Senate Bill 593
Replacement Housing

March 5, 2024

OCII

Summary of Senate Bill 593

- Authorizes OCII to fund and develop up to 5,842 units destroyed by the former Redevelopment Agency.
- Replacement housing funds are limited each year to after payment of OCII's current enforceable obligations. Will require multiple bond issuances over time.
- First availability of replacement housing funds is projected to occur in late 2025 and the last allocation in the mid- to late 2050s.
- Replacement housing must adhere to affordable housing standards in state law, i.e. Community Redevelopment Law (CRL)

CRL Replacement Housing Standards

- Units may be built anywhere in San Francisco
- Units are restricted to income-eligible households (low, very low, or moderate).
- Units must remain affordable long-term and subject to affordability restrictions.
- Replacement housing is additive to OCII’s current housing obligations; it is independent of a OCII’s other obligations to produce housing
- Replacement housing funds leverage other financing and subsidies for affordable housing.

Bond Financing and Timing

- First bond issuance is tentatively planned for 2025-26.
- The amount/timing is subject to:
    - City budget/deficit
    - Costs of Issuance
    - Housing project costs
- Staff will solicit a financing team to provide fuller analysis of available financing for first bond issuance

Impact of Replacement Housing on Preference Holders

- Replacement Housing expands the supply of affordable housing for which Preference Holders are eligible.
- OCII and MOHCD will continue to provide first preference in 100% of all units in OCII affordable housing projects to COP holders.
- In 2022, the state legislature expanded this preference to include the descendants of COP holders.
- Preference Holders including descendants, will continue to receive first preference for 100% replacement housing.
- Since FY 13-14 OCII has implemented a more robust early outreach and marketing program to maximize the number of Preference applicants and will continue to evaluate and enhance that process.

Feedback on Replacement Housing Priorities

- Commission Workshop: October 3, 2023
- Transbay CAC: October 12, 2023
- Mission Bay CAC: October 12, 2023
- Hunters Point Shipyard CAC: October 30, 2023
- Commission Workshop: November 7, 2023
- Hunters Point Shipyard CAC Housing Subcommittee: November 16, 2023

CAC Feedback on Replacement Housing Priorities

CAC members and members of the public expressed support for:

- Adding affordable housing to existing project areas
- Funding housing in areas where displacement occurred
- Funding housing throughout the City
- Continuing to ensure opportunities at a variety of income levels, focusing on very low incomes and to maximize operating and rental subsidies to enhance affordability for very low-income households
- Ensuring housing meets the needs of Preference Holders
- Ensuring that no displacement results from funding housing rehabilitation or replacement (e.g. Freedom West) and that new housing is affordable to all current residents

Additional Feedback: Replacement Housing

Comment: Requests for Proposals and Requests for Qualifications (“RFP/Qs”) should have clear guidance for scoring that does not favor larger developers and has a racial equity framework. OCII should ensure larger projects meet the capacity of Small Business Enterprise (“SBE”) firms and wherever possible unbundle larger projects.

Status: Implementing. All 100% affordable projects awarded since dissolution have included a nonprofit, community-based nonprofit or community-based developers as part or all of the development team and have demonstrated success in meeting or exceeding the overall SBE program goals.

Enhancements/Ongoing: As part of the implementation of SB 593, staff will continue to seek input from the local development community and will look for additional community centered equitable development ideas for projects using SB 593 funds.

Additional Feedback: Replacement Housing

Comment: Community serving businesses and nonprofits should be awarded projects.

Status: Implementing. All 100% affordable projects awarded since dissolution have included a nonprofit, community-based nonprofit or community-based developers. Local community serving businesses or nonprofits that respond to community needs occupy most commercial spaces in these projects.

Enhancements/Ongoing: OCII will continue to prioritize Public Benefit Uses and Community Serving Uses for commercial spaces.

Additional Feedback: Replacement Housing

Comment: OCII should provide tenant improvement financing for commercial spaces

Status: Implementing.

Enhancements/Ongoing: OCII will continue to work with developers to seek innovative financing strategies for commercial spaces. OCII does not have authority to fund commercial spaces, unless that space is required under applicable law, e.g. zoning, or under existing contracts. Tax credit rules also limit overall project costs and non-housing use of funds.

Additional Feedback: Replacement Housing

Comment: Alternative financing models should be explored for housing projects.

Status: Implementing.

Enhancements/Ongoing: OCII will seek alternative financing strategies for housing projects. Currently the largest source of affordable housing financing is the low-income housing tax credit. Grants, commercial loans, and program subsidies such as LOSP are used when available. There are other new potential sources, such as regional bond financing, that may supplement traditional financing sources for affordable housing

Additional Feedback: Replacement Housing

Comment: Replacement Housing units should include lower Area Median Income ("AMI") tiers.

Status: Implementing. Of the 1,800+ units produced post-dissolution, over 1,100 (or 61%) are at or below 50% AMI and over 450 (or approximately 25%) are at or below 30% AMI.

Enhancements/Ongoing: OCII will continue to seek opportunities to increase the number of units with affordability levels below 50% AMI through income tiering and seeking operating and rent subsidies wherever available.

Additional Feedback: Replacement Housing

Comment: The 5,842 replacement housing units funded pursuant to SB 593 should be for COP holders only.

Status: Implementing. OCII applies the COP preference to 100% units. Remaining units must be offered and occupied in lottery rank order consistent with approved preferences to ensure affordable units do not remain vacant and to comply with tax credit and other financing requirements.

Enhancements/Ongoing: OCII will continue efforts to locate and confirm contact information for Preference holders and learn more about their housing needs and barriers, through early outreach, investigations contracts, and an updated COP Survey.

Additional Feedback: Replacement Housing

Comment: Replacement housing units should maintain the same income levels as existed at the time of displacement

Status: Partially implementing.

Enhancements/Ongoing: Detailed displacee income data does not exist. OCII will comply with requirements under SB 593 and target the replacement housing for low- and moderate-income households. OCII will also target deeper affordability levels.

Additional Feedback: Replacement Housing

Comment: Complete an economic impact report to measure the intergenerational wealth lost from eminent domain from 1945 to present.

Status: Partially implementing.

Enhancements/Ongoing: OCII does not have funding or enforceable obligation authority to complete this report but can provide records to support such an effort. In FY 24/25 OCII is scanning relocation and acquisition information/records for all former Redevelopment Project Areas to ensure that records are searchable.

Additional Feedback: Replacement Housing

Comment: Explore opportunities to seek HUD funding to assist with housing homeless and displaced COP holders.

Status: Implementing.

Enhancements/Ongoing: OCII will continue to seek opportunities for federal funding for affordable housing projects that address the needs of COP holders and has recently secured HUD Section 8 subsidies for 2 projects.

Additional Feedback: Replacement Housing

Comment: Downpayment Assistance and Rental Assistance programs should be available to all COP holders.

Status: Implementing with limitations.

Enhancements/Ongoing: MOHCD staff provides or connects COP applicants who are interested in purchasing or renting an affordable housing unit with move-in assistance and/or downpayment assistance. OCII will work with MOHCD to ensure the availability of these sources given the anticipated increase in COP holder applications for housing given the expansion of the program to include descendants.

Additional Feedback: Replacement Housing

Comment: Explore opportunities for COP small sites program for housing and businesses including technical support

Status: Implementing with limitations

Enhancements/Ongoing: MOHCD currently operates a Small Sites Program ("SSP") that supports local nonprofit sponsors with acquisition and preservation loans, stabilizing at-risk communities by converting 5-40 unit rent-controlled properties to permanently affordable housing. OCII will collaborate with MOHCD to determine if there are potential pipeline projects that meet the goals of SB 593.

Additional Feedback: Replacement Housing

Comment: MOHCD should implement a policy change to allow for the use of sworn affidavits to certify status as COP holder

Status: Partially implementing. When a certificate is requested and proof of eligibility cannot be established by OCII records, MOHCD allows for a wide range of documents that could establish residency. In FY 22-23, MOHCD simplified the number of requested documents to only those that demonstrate familial lineage and proof of name change.

Enhancements/Ongoing: OCII will collaborate with MOHCD to review the documentation necessary to prove displacement. Additionally, in FY 24/25 staff is planning to scan relocation and acquisition information/records for all former Redevelopment Project Areas to simplify and accelerate provision of COPs for eligible applicants who may not have displacement information and/or records necessary to prove eligibility for a COP.

Additional Feedback: Replacement Housing

Comment: OCII should partner with the Black Developer Forum and/or create a fund for a community land trust related to the development of the 5,842 replacement units.

Status: Partially implementing. OCII does not have the authority to create or create a fund for a community land trust. Similar to a land trust, OCII's affordable restrictions are long-term and the retention of the affordable land parcel by the Housing Successor, MOHCD, ensures the future affordability of OCII units. Ensuring that affordability restrictions remain with any OCII-funded project for the life of the project is a critical component of OCII and MOHCD's housing development programs. OCII has partnered with the Black Developer Forum by participating on panels and cultivating awareness of OCII project opportunities, as well as providing mentorship to black and brown developers and professionals seeking experience in the field of community development.

Enhancements/Ongoing: Members of the Black Developer Forum are encouraged to participate in housing opportunities generated by SB 593 or other OCII projects through solicitation processes.

Recommendations for Replacement Housing Priorities

- Adding units in excess of existing obligations to Project Areas where sites are available for development and are subject to time constraints to begin construction
- Developing affordable housing in former redevelopment project areas, particularly those subject to urban renewal displacement
- Developing affordable housing in other areas of the City where the City, through MOHCD, has identified priority projects in need of funding
- Enhance COP program:
  - Update COP contact information (Lynx/NCLF).
  - Obtain COP housing needs/preferences (survey).
  - Scan relocation and acquisition records.
  - Maintain equity focused best practices.

Next Steps

- Work with the City on the amount and timing of revenues that will be available pursuant to SB 593
- Work with MOHCD and key constituents to determine priority projects
- Solicit bond financing team for the initial replacement housing bond issuance
- Prepare for new COP Survey to be conducted in FY 24/25

Replacement Housing Priorities

Questions / Comments

Background

- **Prior to 1976:** the former Redevelopment Agency destroyed 14,207 affordable units, but only produced 7,498 affordable units. The areas with the greatest loss of housing were: Western Addition A-1; Yerba Buena Center, and Embarcadero-Lower Market (Golden Gateway).
- **2000:** State Legislature approved Senate Bill 2113 authorizing the former Agency to use tax increment financing to fund and develop units that were destroyed prior to 1976 and not replaced.
- **2003:** The State Department of Housing and Community Development certified “a net loss of 6,709 units the Agency must replace”
- **2003-2012:** The former Agency funded 867 replacement housing units pursuant to Senate Bill 2113
- **2012:** The former Agency, and all California Redevelopment Agencies are dissolved by the State of California, OCII created to complete “enforceable obligations” of former Agency
- **2012-2022:** OCII and the City unsuccessfully sought to establish the replacement housing obligation under Senate Bill 2113 as an “enforceable obligation”
- **2023:** Senate Bill 593 (Wiener) approved by Senate and Assembly establishing the replacement housing obligation as an “enforceable obligation,” but funded with residual tax increment available to the City.