Office of Community Investment and Infrastructure

Workshop on Senate Bill 593
Replacement Housing

November 7, 2023

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; they must be affordable to "persons in the same or a lower income category" (low, very low, or moderate), as the persons displaced.
- 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

- Initial estimates of property tax revenues available pursuant to Senate Bill 593 show:
  - First bond issuance in 2025-26 of approximately amount subject to:
    - Updated revenue analysis
    - Costs of Issuance
    - Housing project costs
    - City budget
- Staff will solicit a financing team in early 2024 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

- Transbay CAC: October 12, 2023
- Mission Bay CAC: October 12, 2023
- Hunters Point Shipyard CAC: October 30, 2023

CAC Feedback on Replacement Housing Priorities

CAC members from the OCII Project Areas 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, including 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 any current residents

Additional Feedback: Replacement Housing

- Alternative financing models should be explored for funding affordable housing
  - *OCII will continue to encourage innovative, alternative, or additional financing sources that allow for affordability restrictions to be maintained for the life of the project*
- Replacement Housing units should include lower Area Median Income ("AMI") tiers
  - *OCII will continue to seek opportunities to increase the number of units with affordability levels below 50% AMI and will incorporate operating subsidies if available*
- Replacement housing units should be set aside for Preference Holders
  - *OCII will continue to provide first priority in 100% of its affordable housing units to Preference Holders.*

Additional Feedback: Replacement Housing

- Explore opportunities for COP small sites program for housing and businesses including technical support
  - *OCII will collaborate with MOHCD to determine if there are potential pipeline projects in their Small Sites Program ("SSP") that meet the goals of SB 593, particularly in areas where significant displacement occurred and/or will evaluate options to collaborate on a solicitation for such projects under the SSP. SB 593 only allows for funding for residential projects.*

Additional Feedback: Affordable Housing Development

- Ensuring that small businesses and community-based developers can be competitive for OCII funding
  - *OCII will continue to enforce policies and practices requiring nonprofit developers to be the lead or co-developers for affordable housing projects and overall SBE program goals of 50% participation.*
  - *OCII 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: Preference Holders

- Downpayment Assistance and Rental Assistance programs should be available to all COP holders
  - *MOHCD/OCII staff will continue to provide or connect COP applicants with move-in assistance and/or downpayment assistance, continue to require the incorporation of ongoing project-based rental or operating subsidies into rental projects when those funds are available, and will actively explore the possibility of including downpayment or move-in assistance for applicants within project budgets to the extent feasible*

Additional Feedback: Preference Holders

- MOHCD should implement a policy change to allow for the use of sworn affidavits to certify status as COP holder
  - MOHCD works with the applicant and allows for a wide range of documents that could establish residency.
  - *OCII will work with MOHCD on enhancing the process for establishing an applicant's qualifications for the preference.*

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
- Seeking additional information from Preference Holders regarding housing needs and preferences through updated surveys and other methods to inform equity focused best practices and COP program enhancements

Next Steps

- Adopt a Replacement Housing Priority Policy
- Work with MOHCD and key constituents to determine priority projects
- Solicit bond financing team for the initial replacement housing bond issuance.

Replacement Housing Priorities

Questions / Comments

You are watching a Live meeting of the Commission on Community Investment and Infrastructure

PUBLIC COMMENT CALL-IN:

Dial: 1(415) 655-0001 **Access Code:** 2660 866 5108

Press #, then press # again

- Press *3 to submit your request to speak
- Wait for your line to be unmuted
- You will have 3 minutes to provide a comment

OCII

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.