From Urban Renewal and Displacement to Economic Inclusion:

San Francisco Affordable Housing Policy 1978-2012

Marcia Rosen
and
Wendy Sullivan

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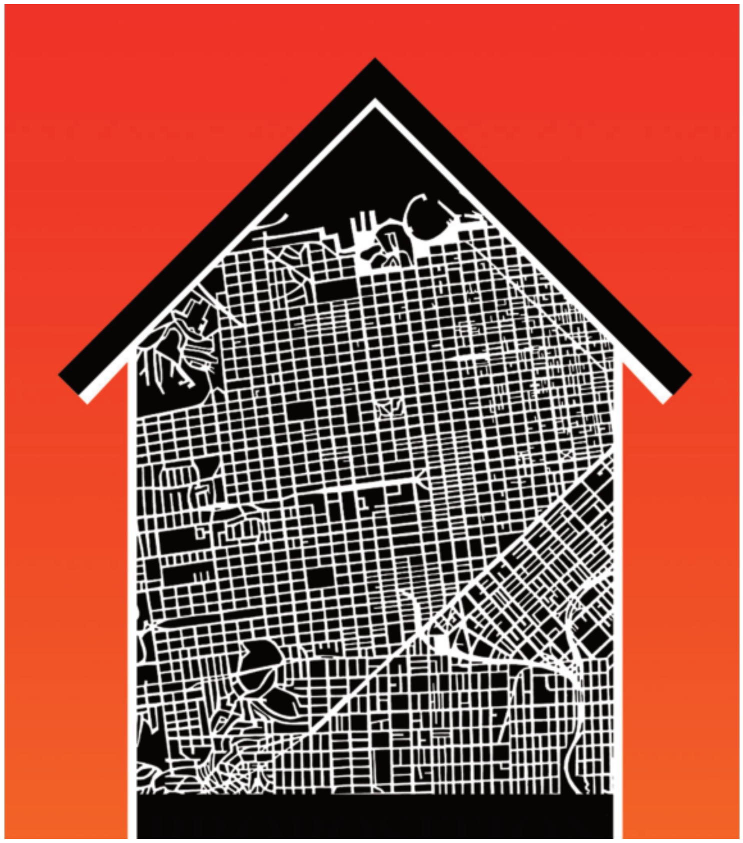

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About the Authors

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Ms. Rosen has been NHLP's Executive Director since November 2008. She has an extensive background in housing and community development, including service in local government and as an attorney and Deputy Director of the Lawyers' Committee for Civil Rights of the San Francisco Bay Area. Prior to joining NHLP, she served as Executive Director of the San Francisco Redevelopment Agency, a local government agency dedicated to promoting community, economic, and physical development of San Francisco's distressed neighborhoods and the development and preservation of affordable housing, and as Director of the Mayor's Office of Housing, where she was responsible for representing the mayor before local, state and federal agencies and legislative bodies and for administering the City's local and federal housing funds. Before her eleven year stint in public service, her practice at the Lawyers' Committee included representation of low-income people and community organizations in a broad array of civil rights cases and issues, focused primarily on housing, land use, economic and community development, and children and youth issues. Marcia was an active participant-observer of the events described in this report, first as an advocate representing the Council of Community Organizations and later as a public official designing and implementing the policies described herein. She has a B.A. from the University of Massachusetts, Amherst and a J.D. from the University of California, Hastings College of the Law. In 1999-2000, she was a Loeb Fellow at Harvard University's Graduate School of Design, where she was engaged in interdisciplinary studies at the GSD, Kennedy School of Government, and Harvard Law School and wrote a case study on San Francisco development politics that was published by the Kennedy School. The opinions expressed herein are her own and do not reflect the views of the National Housing Law Project or any of its funders.

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Ms. Sullivan is an attorney and planning consultant with particular expertise in affordable housing. She has over ten years of experience helping communities throughout the western U.S. identify their affordable and workforce housing needs and develop plans to address those needs. Her work in conjunction with other team members has prompted county and community collaboration on affordable housing policies and development; initiated and supported the development of numerous tax credit, senior housing and deed-restricted ownership projects; and, specifically, assisted approval of the first permanent supportive housing development in Boulder, Colorado. She has a law degree from the University of Colorado, a master's degree in regional planning from Washington State University and a bachelor in computer science (cum laude) from Colorado State University.

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I. Introduction

Once notorious for urban renewal that diminished housing affordability and displaced residents, the City of San Francisco is now renowned nationally for its best practices in housing and community development. How did this "hot market" city with limited land for development, extremely low rental vacancy rates and high demand for housing move from archaic urban renewal practices to thoughtful policies designed to preserve and enhance housing opportunities for low income families, prevent displacement of low income families, and create inclusive communities?

San Francisco's affordable housing and community development policies largely evolved during the late 1960s through the present day, spanning periods of rapid economic and demographic change, wide scale commercial development, dramatic changes in land use, and exploding housing costs, which continue to threaten displacement of low income residents. Prior to 1968, San Francisco's affordable housing stock was limited to public housing and other federally-funded housing that was developed as part of the City's urban renewal program. While there was private market-rate housing affordable to low income families, thousands of units had been lost to urban renewal. No state or local funding sources were available for housing rehabilitation or development and no community-based infrastructure existed to take on this work. Extensive changes in the economic base and escalating housing prices in the City during the 1970s spurred formation of neighborhood and tenant organizations, bringing resident housing needs to the City's attention. These groups were originally focused on maintaining housing affordability in their communities and preventing the displacement of families from neighborhoods disrupted by the City's urban renewal programs and private development interests. The focus later expanded to include a community development mission – the preservation and development of affordable community housing and resident services to meet the changing demographic needs of families, maintain the City's diversity and mitigate the exclusive effects of the rising cost of market housing within the City. Dedicated and zealous community advocacy, strategic development and allocation of funding sources, and responsiveness to market changes and political opportunities have resulted in a system of strong housing preservation and production policies, programs and organizations in San Francisco. By ensuring the creation and retention of a range of housing to serve diverse resident and community needs within the City, these forces have counteracted the detrimental effects of gentrification caused by market forces and have kept affordable community housing in the forefront of the City's development and redevelopment decisions.

In a city that consistently places amongst the highest in the nation for its housing costs[1] and is largely

1 In June 2010, the California Association of Realtors reported that the median priced home in San Francisco was $670,000. This price is 115% higher than the State of California median ($311,950) and 266% higher than the national average ($183,000). In June 2010, the average rent was $2,230, which is affordable to households earning over $89,200 (or about 100% of the area median income for a 3-person household). San Francisco Planning Code § 415.1. Rents increased another 10% on average in 2011 and are 12% higher in 2012 than they were one year ago, meaning San Francisco had the steepest rent increase in the past year among the 25 largest housing markets in the country.

built out, production and preservation of homes affordable to residents is a constant challenge. The successful evolution of affordable housing programs in San Francisco cannot be understood by simply looking at the local codes and ordinances, policies, development requirements and restrictions separately; the whole is greater than the sum of its parts. Moreover, the overall success of the housing system and policies employed is the result of an interaction of four key factors: dedicated community advocacy and strong coalitions; development of and access to substantial funding sources; a holistic vision of building "not just housing, but communities;" and constantly evolving housing programs that meet new challenges and opportunities.[2] The interaction of these factors has allowed the City to take advantage of ever-changing markets and political forces to maintain and develop strong local communities. This report describes the development and interaction of each of these four key components of housing program and policy development since the late 1960s and how they have resulted in the current dynamic affordable housing system in San Francisco.

2 In the latest example, San Francisco voters will have the opportunity to adopt a ballot measure, Proposition C, in the November 2012 elections that would establish a Housing Trust Fund generating substantial funding (estimated between $1.3 and $1.6 billion dollars) over the next 30 years. The measure is designed to replace and augment money that was lost by the state's elimination of redevelopment agencies and tax increment financing earlier in 2012.

II. Emergence of the Community Affordable Housing Movement

San Francisco's housing movement stems from its severely constrained development potential: it has limited land capacity, roughly 47 square miles on the tip of a peninsula, with no ability to expand through Bay infill or annexation;[3] and it is "built out," with almost all its available land developed. Consequently, "development in the City is a zero sum game, with winners and losers. With minor exceptions, new development in San Francisco, residential or commercial, means the demolition and displacement of what was there."[4] This means that, for any new development, the benefits of that development must be weighed appropriately against the loss of any displaced land uses and the threats to neighborhood stability and housing security, and appropriate mitigation measures must be put in place to prevent detrimental losses to the community. With each new proposed development in San Francisco being a battle between competing land uses, the stage was set for building a strong community movement to protect low income residents from displacement and enhance neighborhoods as urban renewal, private development and market interests sought to transform the City.

The community-based housing movement in San Francisco developed between about 1968 and 1978, a time during which the City's economic base was substantially transformed.[5] Office workers began displacing industrial workers and residential real estate began climbing in price, propelling San Francisco from one of the cheapest places to live in the Bay Area to among the most expensive.[6] Several significant events led to this transformation. First, containerization of the maritime industry, largely between 1960 and 1966, contributed to the economic downfall of the Port of San Francisco, resulting in a significant loss of industrial jobs, particularly for the African-American community.[7] Thousands of industrial jobs were again lost in 1974, when the Hunters Point Naval Shipyard was decommissioned and, with it, the economic base of

3 In 1965, the Bay Conservation and Development Commission (BCDC) was established in response to the filling-in of an average of four square miles of the San Francisco Bay each year between 1850 and 1960 to create land, primarily for development. Since its establishment, only a few acres of the Bay are filled each year, mostly for water-oriented needs, and the Bay is now larger than it was when the BCDC was first established. See http://www.bcdc. ca.gov/bcdc_bay.shtml for more information.

4 Interview with Calvin Welch, San Francisco housing activist, lecturer in development politics, and former longtime Co-Director of the Council of Community Housing Organizations, July 20, 2012.

5 For more information on the development of the housing movement during this period, see Welch, Calvin (2011). "The Fight to Stay: The Creation of the Community Housing Movement in San Francisco, 1968-1978," in Chris Carlsson and Lisa Ruth Elliott (Eds.), *Ten Years that Shook the City: San Francisco 1968-1978* (pp. 154-162). San Francisco: City Lights Books.

6 See Chart 1, below.

7 Across the San Francisco Bay, the Port of Oakland was an early leader in the movement to containerized cargo, assisting its swift rise to dominance in ocean borne shipping. As a result, the number of jobs related to water borne commerce in San Francisco decreased from 23,000 in 1964 to 11,000 in 1978. Ownership of the Port of San Francisco was officially transferred from the state to the City and County of San Francisco in 1969. SPUR. The Decline of the Port. Retrieved Sept. 27, 2012 from the SPUR website: http://www.spur.org/publications/library/ article/declineofport11011999.; World Port Source. Port of Oakland Review. Retrieved Sept. 27, 2012 from the World Port Source website: http://www.worldportsource.com/ports/review/USA_CA_Port_of_Oakland_231.php.

the Hunters Point neighborhood. Once again, the African American working community suffered heavy, negative impacts.[8] Second, the Bay Area Rapid Transit (BART) system ran its first train in 1972, linking much of the Bay Area with San Francisco and increasing the pool of suburban workers to fill jobs in the City. Third, as part of the plan to position San Francisco as the "corporate headquarters" of the Pacific Rim, explosive growth in commercial office buildings occurred. With BART in place to bring suburban workers from neighboring counties into San Francisco's downtown, and the burgeoning commercial space in which to place them, white-collar jobs in the retail, office and financial sectors quickly became the driving force of the City's economy.[9] Fourth, by 1978, as part of this new City vision, ten different areas in the City were designated for urban renewal to revive blighted areas of the City, ultimately resulting in the San Francisco Redevelopment Agency's (SFRA)[10] demolition of low income affordable housing in several neighborhoods and displacement of residents.[11] Finally, in 1974, gas prices rose to over $1 per gallon, causing suburban office workers to return to the central city in search of homes. This spurred a significant rise in housing prices, exacerbated by the focus, over preceding years, on commercial, at the expense of residential, development.[12]

The loss of affordable housing, displacement of residents, shifts in the economy and the lack of permanent labor jobs during the early years of urban renewal rallied residents to fight against displacement and brought housing and land use issues to the forefront of local community agendas. "Indeed, the first wave of gentrification happened before we even knew what to call it," recalled Calvin Welch.[13] By the late 1970s, a tenants' movement had emerged, environmental issues had become part of development politics and various community organizations had formed to advocate for the specific issues and needs of particular neighborhoods. New community development corporations and non-profit housing development organizations helped promote and meet community development needs. These various interests coalesced into a citywide housing movement calling for, among other things: rent control; anti-speculation measures; preservation of residential hotel units; limits on condominium conversion; preservation of down-

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8 Jacobson, Daniel and Stallworth, Chris (2009). Bayview-Hunters Point: Urban Transformations and Community Cooptation, *Urbanist*, 161, 9-13. At its peak in 1945, the Shipyard employed 18,235 workers; at closure in 1974, there were approximately 5,000 jobs. Hunters Point Shipyard: A Community History 1996. See Appendix 1. for more information about changes in the African American population over the decades.

9 From 1965 through 1980, 36 million square feet of office space was added. 25 Years: Downtown Plan Monitoring Report/1985-2009, San Francisco Planning Department, June 2011, Appendix B, Table 1. New Office Construction. At the time, San Francisco was second only to Boston in its ratio of office space to population. While office growth from 1965 to 1980 created some 166,000 new jobs, the number of employed San Francisco residents declined by nearly 18,000, indicating that the new jobs were created for out-of-area workers. Hartman, Chester (1984). The Transformation of San Francisco (pp. 2, 3, 6-7, 262). Totawa, NJ: Rowman & Allanheld.

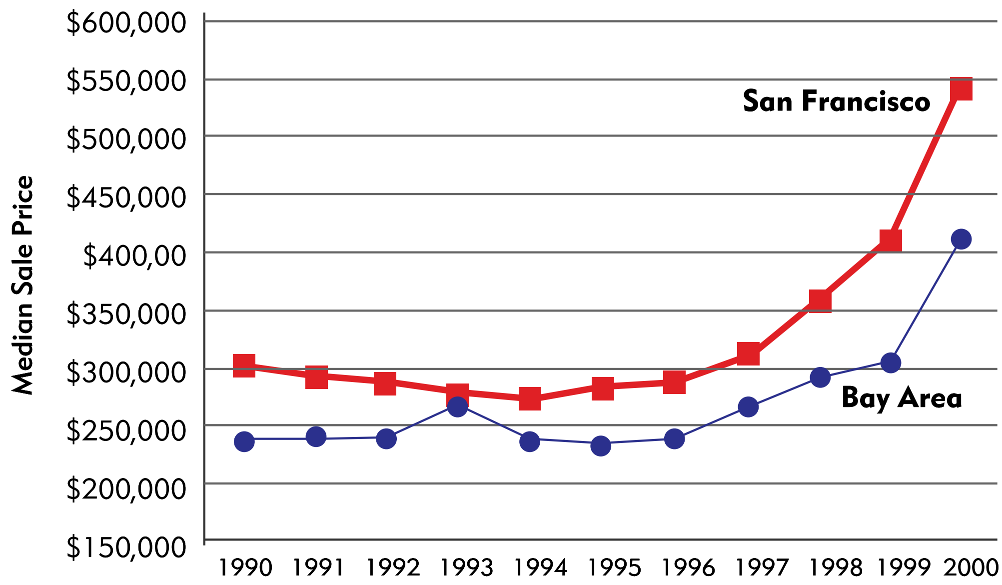
10 The San Francisco Redevelopment Agency (SFRA) was established in 1948, pursuant to the California Community Redevelopment Law. A separate entity from the City and County of San Francisco, the SFRA's powers, such as the right to condemn properties, use tax increment financing, and authorize land use within redevelopment project areas, derive from state law. Before the state's elimination of redevelopment agencies on February 1, 2012, the Agency's mission had evolved from an urban renewal model to one focused on affordable housing, economic development and improving the quality of life through development of social infrastructure, parks, and cultural facilities.

11 The urban renewal plans developed prior to 1976 resulted in the demolition of 14,207 units, which were replaced with only 7,498 units by 2000. Senate Bill 2113, passed in 2000, provides the City with funding to replace the 6,709 units that were lost (See *infra*).

12 In 1965, the average San Francisco home was only $3,000 more on average than national home prices. By 1980, the average San Francisco home cost $53,000 more. Hartman (1984, p. 262).

13 Welch interview, July 20, 2012.

Chart 1. Median Sale Price of 3-Bedroom House: San Francisco vs. Bay Area, 1990 - 2000[14]



town residential neighborhoods; the development of "special needs housing;" maintaining the City's diversity by ending discrimination in housing against people of color, families, people with disabilities and seniors; ensuring that new mixed use neighborhoods had substantial affordable housing; and advocating that the City's foremost housing policy be to preserve and expand housing opportunities for low income families living in the City.

The housing and community development corporations formed during this period would, by 2012, develop or rehabilitate and preserve more than 26,000 permanently affordable housing units, mainly for families and seniors earning less than 50% of the City's median income. The community housing movement also influenced the adoption of key affordable housing policy and financing legislation, including the enactment of San Francisco's Rent Stabilization and Arbitration Ordinance in 1979 that now covers some 170,000 rental units.[15] The movement also spurred the City's inclusionary zoning ordinance that has resulted in over 1,500 units of permanently affordable ownership and rental housing and the jobs-housing linkage program, which has contributed to the development of another 1,100 units. The more than 200,000 units of "price controlled" housing constitute approximately 53% of San Francisco's entire housing stock.[16]

14 Bay Area Economics (2002). *San Francisco Housing Data Book*. Study commissioned by San Francisco Board of Supervisors (p. 66).

15 See the discussion below under "Rent Control and Condominium Conversions" for more detail on the Rent Stabilization and Arbitration Ordinance.

16 Includes new construction, acquisition and rehabilitation of existing stock, residential hotel units, and federally-assisted (public housing, Section 8 vouchers, project-based Section 8). Welch (2011); San Francisco Budget and Legislative Analyst (2012). *Performance and Audit of San Francisco's Affordable Housing Policies and Programs*. Prepared for Board of Supervisors for the City and County of San Francisco; *Housing Element: Part I: Data and Needs Analysis* (Mar. 2011). Adopted by San Francisco Planning Commission; U.S. Census.

III. Financing Affordable Housing: Where Do We Get the Money?

Producing affordable housing in what is often the most expensive housing market in the nation obviously takes substantial financial resources. In San Francisco, affordable housing is primarily produced by three sectors: non-profit housing developers who are funded in part by the (former) San Francisco Redevelopment Agency and the Mayor's Office of Housing; the San Francisco Housing Authority (through the HOPE VI and HOPE SF programs); and market-rate developers operating in accordance with the inclusionary housing program or the jobs-housing linkage program. The City's development capacity has expanded over time. Spurred on by, and in partnership with, nonprofit developers and housing advocates, the City has implemented revenue strategies that have provided significant funding for the preservation, rehabilitation and development of affordable housing. Between FY 2002-03 and FY 2010-11, more than $725 million was applied to affordable housing from City and locally-controlled funding sources, over $356 million from state sources and over $829 million from federal sources, all totaling just under $2 billion dollars.[17] As state and federal sources of affordable housing financing shrink, local funding initiatives and sources become even more critical. This section reviews some of the more significant victories and unique sources of revenue that have been procured for affordable housing and community development in San Francisco.

Community Development Block Grant Program

Prior to 1979, there were no state, local, or locally-controlled federal funding sources for affordable housing and only limited options for community-based developers through the existing federal programs.[18] While several of the new community-based nonprofit developers had developed senior and disabled housing under the Department of Housing and Urban Development's (HUD's) Section 202 program and had utilized several HUD-subsidized programs, the lack of administrative support and program funds made it very difficult to amass the resources necessary to undertake the projects that developers envisioned. Although the Community Development Block Grant (CDBG) was established

17 *Performance Audit* (2012, p. ii). Primary funding sources include federal tax credits, tax increment revenues and bond proceeds from redevelopment areas, state and city affordable housing bonds, federal CDBG, HOME and HOPWA Grants and the City hotel tax. See Table 1 herein for a summary of funding by source.

18 Although the Housing and Community Development Act of 1968 set a goal of 6 million additional units for low and moderate income families over the next decade, in 1973, the Nixon administration decided to make no new commitments for subsidized housing, and, during the decade of the 1980s, the reduction of resources for new units accelerated, resulting in less than one-third the number of new units of public housing and Section 8 certificates provided in the 1970s. However, from the late 1960s through 1985, the HUD-subsidized privately-owned new production programs had yielded approximately 8,000 units in San Francisco, many of which were sponsored by churches or nonprofit developers that used these programs to construct housing in redevelopment project areas, but did not pursue other development. See generally, *HUD Housing Programs: Tenants' Rights, 3rd ed.* (2004), National Housing Law Project (Ch. 1) and sources cited therein. See also, discussion of the Preservation Program under "Preservation of Federally-Funded Affordable Housing," *infra*.

Table 1. City, State and Federal Financing of San Francisco's Affordable Housing Projects: FY 2002-03 to FY 2010-11

Source of Financing	Total Financing FY 2002-03 to FY 2010-11	Percent of Total
Tax Increment Revenues and Bond Proceeds	$460,130,116	24%
City Affordable Housing Fund[a]	$95,961,640	5%
Developer Contributions and Housing Income	$73,371,353	4%
City Hotel Tax or Contributions in Lieu of Tax	$47,623,208	2%
City General Fund	$30,000,000	2%
Proposition A Affordable Housing Bonds	$18,053,081	1%
City and Local Sources	**$725,139,398**	**38%**
State Propositions 46 and 1C Affordable Housing Bonds	$286,129,994	15%
State Tax Credits	$57,654,092	3%
California Dept. of Housing and Community Development	$8,190,000	0%
California Housing Finance Agency	$4,100,000	0%
State Sources	**$356,074,086**	**19%***
Federal Tax Credits	$634,609,090	33%
Federal CDBG, HOME and HOPWA Grants	$194,768,626	10%
Federal sources	**$829,377,716**	**43%**
TOTAL	**$1,910,591,200**	**100%**

a Includes developer inclusionary and jobs-housing linkage fees.

* difference in the total of values and total amount is due to rounding

in 1974,[19] San Francisco used its CDBG money to fund social service organizations, with its housing dollars going to government agencies rather than for funding of community development organizations or creation of new affordable housing opportunities. Changes to the CDBG program requirements around this time mandated that the grants target lower income households, providing grounds for a potential legal challenge to programs failing to meet this requirement.

Believing that the City was misallocating funds that should rightfully be used to fund new affordable housing, local community housing advocates formed a coalition that filed an administrative complaint with HUD in 1980. As a result of that complaint, HUD placed conditions on the City's subsequent receipt of $30 million of CDBG funds, tying the award to changes in San Francisco's use of the funds. The housing advocacy coalition successfully negotiated the annual commitment of $5 million for site acquisition and housing rehabilitation, as well as administrative support of nonprofit community-based development corporations. This initial allocation became a staple of the City's program, helping these entities establish themselves as sophisticated and invaluable developers and managers of affordable housing in San Francisco, ultimately

19 The Housing and Community Development Act of 1974 established the Community Development Block Grant (CDBG) program, which provides entitlement grants to states and local governments to develop viable urban communities by providing decent housing and a suitable living environment, and expanding economic opportunities, primarily for low and moderate income people.

assisting in the production and rehabilitation of 26,000 units through their combined efforts.[20] This consistent source of funding also served to increase the political presence and effectiveness of these organizations both in the housing production and advocacy arenas.

The coalition that formed in 1980 and won CDBG allocations to support non-profit community-based development corporations became the Council of Community Housing Organizations (CCHO), a major player in the development of affordable housing policy. CCHO's membership presently consists of 20 community-based nonprofit housing organizations and faith-based groups that continue to work toward building an effective affordable housing policy framework and the establishment of adequate funding for the creation of affordable housing. The mission of the Council of Community Housing Organizations has remained unchanged since its founding in 1978: "To foster the development of permanently affordable low-income housing in San Francisco, under community control and through non-speculative means of ownership, with adequate provisions for tenant services and empowerment."[21]

Tax Increment

The California Community Redevelopment Act was adopted in 1945, authorizing the creation of redevelopment agencies. The San Francisco Redevelopment Agency (SFRA) was incorporated in 1948 under this authority. Tax increment financing, a tool unique to redevelopment agencies, was established by the state in 1952, with the intent that the funds be reinvested in the redevelopment project solely to alleviate blight.[22] As discussed below, after years of community outcry and lawsuits over the demolition of neighborhoods, displacement of residents and loss of housing through urban renewal, the state responded by requiring agencies to allocate 20% of their tax increment revenues for affordable housing, creating the Low and Moderate Income Housing Fund in 1976.[23] The SFRA had yet to use its tax increment bonding authority, but in 1989, Mayor Agnos and the Board of Supervisors required that the SFRA adopt a new Housing Participation Policy dedicating 50% of tax increment revenue to affordable housing as a condition of approving the Agency's budget.[24]

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20 Welch (2011); "...that CDBG money... was instrumental in keeping doors open for community based organizations.... [W]ithout them being there to actually apply for the funds [that would come], the City of San Francisco would not be as competitive... They were community organizations before they became housing developers. Some of them then became successful housing developers in addition to the community development activities." Interview with Olson Lee, July 25, 2012. Mr. Lee, now Director of the Mayor's Office of Housing, has a long history of involvement in the City's affordable housing policies and programs. He was Chief Financial Officer at the Mayor's Office of Housing (MOH) at the time of the "grand bargain" (discussed infra), later became the Deputy Director for Housing of the SFRA, and has returned to lead MOH upon the demise of the SFRA.

21 Council of Community Housing Organizations website: http://www.sfccho.org/.

22 "Tax increment revenues" are the property tax increases stemming from growth in property value due to redevelopment. Redevelopment law permits redevelopment agencies to issue tax increment bonds.

23 AB 3674, Montoya. The bill also mandated one-for-one replacement of low income units. The impetus behind this change is discussed immediately below.

24 In addition to dedicating 50% of tax increment revenue to affordable housing, the SFRA set much deeper affordability levels than the state required (at or below 50% of AMI v. at or below 120% AMI) and longer duration of affordability restrictions than the state then required.

This "grand bargain" marked the beginning of San Francisco's extraordinary commitment of local resources to preservation and development of affordable housing and was the City's "greatest stimulus for affordable housing production."[25] Since 1990, over $600 million of tax increment financing has contributed to the development of over 10,000 units of affordable housing for low- and moderate-income families and individuals throughout San Francisco.[26] Tax increment revenues have comprised over 50% of City and local sources for affordable housing since 2002. As a sole source of funding, only the federal Low Income Housing Tax Credit (LIHTC) program has provided more affordable housing financing.

While tax increment has been a substantial funding source for affordable housing in California (second only to federal funding), redevelopment agencies in California were dissolved in February 2012 as part of the Governor's remedy to the State's $25.4 billion budget shortfall in 2010.[27] As discussed below, San Francisco is able to retain a portion of this funding to replace housing lost in the early urban renewal period and to fulfill prior binding obligations; however, efforts are underway to approve an alternative, viable source of funding for affordable housing. If advocates succeed in getting voter approval for the Housing Trust Fund, a continued strong financial source for affordable housing development will be established for at least the next 30 years.[28]

Affordable Housing and Home Ownership Opportunity Bond

In 1996, the Council of Community Housing Organizations (CCHO) planned and coordinated the $100 million, Proposition A, Affordable Housing Bond Campaign. In the face of potential federal budget cuts and other threats to local revenue sources, along with the ever-growing need for affordable housing in the City, advocates convinced newly-elected Mayor Brown and the Board of Supervisors to put Proposition A on the ballot, the first general obligation bond measure in the country and the largest such issue for affordable housing ever in California. The campaign was a grassroots effort orchestrated by CCHO that achieved a two-thirds majority for passage. This was no small feat, especially considering that a "yes" vote meant an increase in property taxes.[29]

Proposition A authorized the City to issue $100 million in general obligation bonds to pay for the construction of rental housing for households with annual incomes at or below 60% of the AMI ($85 million) and down payment assistance for first-time home buyers with incomes up to 100% of the AMI

25 Lee interview, July 25, 2012.

26 Every dollar the Agency has invested has resulted in over $4.70 in additional investment from other sources, including federal tax credit equity, banks, foundations, and other public programs. *Housing Programs*. Retrieved Sept 27, 2012 from City and County of San Francisco as Successor to the Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=75.

27 The San Francisco Redevelopment Agency, along with all 400 redevelopment agencies in California, was dissolved on February 1, 2012, by order of the California Supreme Court in a decision issued on December 29, 2011 (California Redevelopment Association et al. v. Ana Matosantos). The California Supreme Court upheld AB 26, which eliminated redevelopment agencies, but struck down AB 27, which would have allowed cities to agree to community remittance payments to keep their agencies in place. AB 26 provides that the City may become the successor to the Redevelopment Agency, and continue to implement "enforceable obligations" which were in place prior to the suspension—existing contracts, bonds, leases, etc.—and take title to all of the Agency's housing and other assets.

28 See Note 2, *supra*, and discussion under "Future Challenges," below, for more information.

29 Increased property taxes were necessary to pay the principle and interest on the general obligation bonds. Voter Information Pamphlet (Nov. 5, 1996). Consolidated Presidential Election. Retrieved Sept. 27, 2012 from: http://sfpl.org/pdf/main/gic/elections/November5_1996short.pdf

($15 million). Proposition A bonds leveraged other financing to develop 2,125 affordable rental units, including many supportive housing units, and 249 loans to first-time homebuyers. Loan repayments subsequently became a source of funds for other projects.[30]

Despite the bond program's success, the City's voters have not passed a similar affordable housing measure since. Lessons from two failed measures, one in 2002 and another in 2006, have been examined in the effort to bring together the development and housing communities to craft and garner support for the 30-year Housing Trust Fund on the November 2012 ballot.[31]

Other Local Funding Sources

As shown in Table 1, there are several other local sources of funding from programs that include developer contributions from inclusionary in-lieu of development and jobs-housing linkage fees, the City's general fund, and a hotel tax. All of these local sources of funding were developed as a result of community advocacy, with CCHO playing a central role in the creation and adoption of many of the programs.[32] As a whole, local sources have contributed almost 40% of the funding used to finance San Francisco's affordable housing development. This exemplifies the impact that strong local advocacy can have not just on developing housing policy, but also on providing the financial support necessary to put the policies into action.

30 Performance Audit (2012, p. 10); SPUR. Proposition A - Supportive and Affordable Rental Housing and Homeownership Bond. Retrieved Sept. 27, 2012, from SPUR website: http://www.spur.org/goodgovernment/ballotanalysis/Nov2004/propa.

31 Arroyo, Noah (July 2012). Housing Trust Fund Goes to Voters. Retrieved Sept. 27, 2012 from MissionLocal website: http://missionlocal.org/2012/07/housing-trust-fund-left-in-the-hands-of-voters/. Cote, John (October 1, 2012) Lee Aims to Expand S.F. Housing. Retrieved October 1, 2012 from SFGate.com: http://www.sfgate.com/politics/article/Lee-looks-to-expand-housing-with-Prop-C-3907574.php.

32 In 2002, CCHO played a central role in crafting the City's Inclusionary Housing Ordinance; in the early 1980s, CCHO successfully advocated for the nation's first "Office/Housing Linkage" policy, later adopted by ordinance in 1985. Council of Community Housing Organizations website: http://www.sfccho.org/about/. These additional programs are discussed infra, given their importance in formulating San Francisco's housing policy.

IV. Evolution of Housing Policy

This section discusses the market conditions, political influences, government and community organizations, and, in some cases, litigation, that shaped the current dynamic system of affordable housing production and policies in the City for each decade beginning in the 1970s through 2010. It starts with the early struggle of San Francisco neighborhoods and residents in the 1970s to preserve the housing and neighborhoods that were otherwise under attack from urban renewal, spiking rents, and explosive development of office space and tourist accommodations. Moving into the 1980s, the focus shifted to producing more affordable housing, both to house the workforce that would be filing jobs in the new office buildings and to create affordable communities and services needed by residents. At the start of the 1990s, San Francisco was recovering from the devastating 1989 Loma Prieta earthquake and working on rebuilding the lost affordable housing stock. Preservation and development of affordable housing remained in the forefront of City policy to counteract local development pressures, as well as the shift in funding and policy priorities in Washington. Obsolete land uses such as abandoned rail yards and a decommissioned military base gave rise to the opportunity for equitable, mixed-use development that emphasized affordable housing in Mission Bay and the Hunters Point Shipyard. Finally, coming into the 2000s, the dot.com boom and influx of high-paid tech workers meant rents were skyrocketing, housing was scarce and new housing development was targeted toward high-wage households. Having market rate development contribute to the provision of affordable housing was a priority, along with replacing the affordable housing that was lost during the pre-1976 urban renewal period. The housing policies and programs that developed in response to these changing economic, demographic and political forces within each decade is discussed, along with the influential players involved and the evolution of policies over time.

1970s: Neighborhood Preservation and Tenant Protection

The early struggle of San Francisco neighborhoods and residents was focused on preserving the housing and neighborhoods that were otherwise under attack from urban renewal, spiking rents, and expansion of the office and tourist sectors. The efforts of organizations that formed during this period led to significant changes in federal, state and local redevelopment policies and requirements, landlord tenant law, and community involvement in planning and development issues. The decade saw resistance to displacement and gentrification, opposition to urban renewal, the stirrings of grassroots efforts to protect downtown residential neighborhoods from the encroachment of tourist hotels and office development, and the emergence of a savvy, knowledgeable tenants' movement and a sophisticated group of housing development organizations. As discussed in this section, the significant achievements during this decade included:

- △ Rejection by the City and the State of outmoded models of early federal urban renewal policies that targeted slum eradication and displaced low-income residents in response to relentless advocacy by community and housing organizations. Such efforts successfully pressed the City and the State to require redevelopment agencies to develop, preserve and revitalize new and existing housing affordable for low- and moderate-income households and prevent displacement, as well as influenced changes at the Federal level;

- Development of a Residential Hotel Demolition and Conversion Ordinance in response to the significant loss of these affordable housing units between the late 1960's through the 1970's, including the notorious International Hotel (I-Hotel); and
- Adoption of a Rent Stabilization and Arbitration Ordinance in 1979 to protect existing tenants against excessive rent increases in market rate units, along with a Condominium Conversion Ordinance to prevent wide-scale loss of the rent-controlled units through conversion to market-rate for-sale units.

REDEVELOPMENT AND URBAN RENEWAL

The San Francisco Redevelopment Agency (SFRA) was incorporated on August 10, 1948, with its primary purpose being to create better urban living conditions through the removal of blight.[33] It was authorized and organized under the provisions of the California Community Redevelopment Act of 1945, which gave cities and counties the authority to establish redevelopment agencies that could attack problems of urban decay and apply for grants and loans from the federal government.[34] Importantly, California's Act was initially guided by federal urban renewal programs, which had as their purpose the elimination of unsafe and unsanitary housing conditions and the eradication of slums.[35]

Largely because of inadequate federal funds, the early redevelopment programs were ineffective. In response, Congress passed the Housing Act of 1949, which established the federal urban renewal program and its strong slum clearance provisions. The slum clearance provisions were the product of a coalition of two separate and conflicting groups: advocates promoting housing opportunity for low-income persons and business-focused real estate interests that supported downtown commercial rejuvenation. The tension between these competing advocacy groups was felt with significant force in San Francisco, ultimately causing the City to break from the urban renewal mold. Significant victories won by the City's housing and resident advocacy groups not only reformulated the obligations of the SFRA toward existing residents and affordable housing, but also spurred some significant changes to the federal urban renewal program.

Prior to 1976, state law did not impose a replacement housing obligation on redevelopment agencies.[36] Two redevelopment battles in San Francisco were the predominant forces behind effecting change in redevelopment requirements regarding

33 Urban blight was then defined by economics, dilapidation of housing and social conditions - including the size of the nonwhite population. Fulbright, Leslie (July 21, 2008). *Sad Chapter in Western Addition History Ending.* San Francisco Chronicle. Retrieved Sept. 27, 2012 from SFGate website: http://www.sfgate.com/bayarea/article/Sad-chapter-in-Western-Addition-history-ending-3203302.php#ixzz27W2D75WW.

34 Among the powers granted to redevelopment agencies include: the authority to acquire real property, including through eminent domain (if necessary); the authority to develop the property; the authority to sell property without bidding; the authority and obligation to relocate persons who have interest in property acquired by the agency; the authority to borrow federal and state funds and issue bonds; the authority to impose land use and development controls as part of the comprehensive plan of redevelopment. Beatty, David F., et al. (2004). *Redevelopment in California*, 3d Ed.(p. 2). Salt Lake City, Ut.: Publishers Book Services.

35 See Beatty, et al., (2004), for more information on the state and federal programs.

36 *Senate Bill 2113.* Retrieved Sept. 27, 2012, from the City and County of San Francisco as Successor to the Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=187.

low-income housing replacement and resident relocation: Western Addition and Yerba Buena's South of Market area.[37]

One of the early redevelopment projects undertaken by the SFRA was Western Addition A-1, a predominately poor African-American and Japanese-American neighborhood located near City Hall and only minutes away from the central business district. This 1956 plan was established to eliminate blighted conditions and develop a Japanese trade center, offices and luxury residences. As part of a longer range redevelopment plan for the City's central African American and Japanese ghettos, the plan also called for expanding the street passing through the property into a major east-west boulevard, to eventually be surrounded by new development.[38] Specifically, the initial plan called for a reduction of the residential uses from 43 acres and 6,112 residents to 25 acres with 3,724 residents. The SFRA began implementing the plan in the mid-1960s and, facing little organized resistance, about 1,350 families were moved out, very few of whom were able to return.[39]

The Western Addition Community Organization (WACO) formed in response to the significant displacement in Western Addition A-1 and the threat of additional displacement from the adjacent redevelopment site, Western Addition A-2.[40] WACO filed a lawsuit against the SFRA and HUD, demanding community participation in the redevelopment planning process, as well as replacement housing and financial assistance for the displaced.[41] The project was halted by the court in December 1968, pending a relocation plan that could be approved by HUD.[42] This was the first time a court had enjoined a redevelopment project in the 20-year history of urban renewal.[43] Although the preliminary injunction was lifted about four months later when the SFRA filed, and HUD conditionally approved, a slightly revised relocation plan,[44] this battle demonstrated the power of community engagement and advocacy, constituting the second victory for San Francisco neighborhood activists fighting federal programs that upset neighborhood stability.[45] Further, it forced the SFRA to monitor displacement in this and future projects and stimulated an increase in subsidized housing

37 Hartman (1984, p. 233).

38 Hartman (1984, p. 24).

39 Hartman (1984, p. 24). The Agency received a loan of about $16.2 million from the federal government, under the U.S. Department of Housing and Urban Development's (HUD) Loan and Grant Contract Program, to carry out all activities necessary to implement the Plan. By the completion of the project area: (1) 2,009 units of new housing, of which 33% were federally subsidized for low- and moderate-income households; (2) 162 units of new housing constructed under Owner Participation Agreements, and (3) 226 units of rehabilitated housing were developed. However, 3208 units that were demolished were not replaced. Western Addition A-1. Retrieved Sept. 27, 2012, from City and County of San Francisco as Successor to the Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=64.

40 Plans for Western Addition A-2 were first presented to the public in 1964. Western Addition Community Org. v. Weaver, 294 F. Supp. 433, 435 (N.D. Ca. 1968).

41 WACO filed suit with the enlisted help of the San Francisco Neighborhood Legal Assistance Foundation (a federally funded legal services agency created in 1966), seeking an injunction against relocation, demolition, and federal funding in Western Addition A-2 pending a valid relocation plan. Hartman (1984, p. 73).

42 Western Addition Community Org. v. Weaver, 294 F. Supp. 433 (N.D. Ca. 1968).

43 Hartman (1984, p. 74). See Chester W. Hartman, *Relocation: Illusory Promises and No Relief*, 57 Univ. of Va. Law Review 756, 756-69 (1971).

44 Hartman (1984, p. 74).

45 In October 1964, in the famous San Francisco Freeway Revolt, a community movement convinced the Board of Supervisors to reject the Federal Highway Administration's plan to build a freeway through Golden Gate Park.

construction, as discussed further, below.[46] However, while the SFRA replaced in excess of the 3,216 units demolished by redevelopment activities, the City's African American community has never recovered from the destruction of the neighborhood and its small business community and its role as a cultural center.[47]

On the heels of the Western Addition A-2 lawsuit was another lawsuit, this time by residents in the South of Market area who were affected by a proposed redevelopment called Yerba Buena. The original plan, conceived in 1954, called for a convention center, sports stadium, high-rise office building and large parking garage.[48] This development was in the path of the proposed expansion of the downtown financial district and threatened some 4,000 residents (mostly of residential hotels) and 700 small businesses. Demolition and the consequential displacement of residents began in 1966. The community quickly gathered to form the Tenants and Owners in Opposition to Redevelopment (TOOR) and contested the loss of blue-collar jobs to white-collar office jobs, as well as the loss of affordable housing for residents. In 1969, represented by San Francisco Neighborhood Legal Assistance Fund and the National Housing Law Project, TOOR filed suit against the SFRA, seeking an adequate relocation plan for residents and businesses in the South of Market area.[49] After several failed settlement attempts, the court halted all demolition and relocation activities.[50] The SFRA appealed this decision and court battles ensued until a settlement was reached in 1973, giving TOOR and its community based development arm, Tenants and Owners Development Corporation (TODCO),[51] four sites in Yerba Buena Center for 400 units of new housing to replace demolished residential hotels, along with City Hotel Tax funds to finance their development.[52] This was in addition to the SFRA's commitment to provide another 1,500 units of low-income replacement housing.[53]

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46 DeLeon , Richard E. (1992). *Left Coast City: Progressive Politics in San Francisco, 1975-1991* (p. 46). Univ. Press of Kansas.

47 See Appendix 1.

48 DeLeon (1992, p. 46)

49 Rubin, Gayle (1997). The Miracle Mile, South of Market and Gay Male Leather 1962-1997. In *Reclaiming San Francisco: History, Politics, Culture*. San Francisco, Ca: City Lights Books (1998). Retrieved Sept. 27, 2012 from FoundSF website: http://foundsf.org/index.php?title=Redevelopment.

50 Hartman (1984 p. 78).

51 TODCO was incorporated by TOOR in 1971 to build replacement housing for residential hotels demolished by the Yerba Buena redevelopment project. The idea of neighborhood-based housing development organizations – instead of public housing and church groups – was new, and TODCO was only the second San Francisco "community-based housing development corporation" (other than Mission Housing Development Corporation founded as part of the Model Cities Program). TODCO's influence has since extended to multiple city locations through redevelopment, advocacy, provision of community facilities and affordable housing development. Retrieved Sept. 27, 2012, from TODCO website: http://www.todco.org/timeline.html.

52 TODCO website: http://www.todco.org/timeline.html; Hartman (1984, pp. 113-115).

53 Hartman (1984, p. 114).

The affordable housing requirements won in Yerba Buena resulted in a larger boost to affordable housing in San Francisco than the original settlement offer indicated.[54] First, the City Hotel Tax, initially set to expire with the completion of the four TOOR housing sites, was made permanent through continuing advocacy by TODCO and has since provided almost $50 million for development of affordable housing for seniors and persons with disabilities throughout San Francisco. Second, TODCO has also developed over 700 affordable senior housing units on its four Yerba Buena sites, which were initially intended for only 400 units.[55] Finally, out of the SFRA commitment to provide 1,500 units of low-income housing, about 1,661 replacement units were procured, comprised primarily of rehabilitated rooms and apartments in the Tenderloin, South of Market and Mission neighborhoods.[56] In total, of the approximately 2,500 residential units at Yerba Buena, over 1,400 are for low- to moderate-income households. The development also incorporates a 257-unit SRO complex (constructed in March 1997) and a 500-unit rental development in which 20% of the units are affordable to very-low-income tenants.[57]

These lawsuits resulted in significant federal and local changes in redevelopment practices and policies. The Western Addition lawsuit, in particular, eventually resulted in the Uniform Relocation Assistance and Real Property Acquisition Act of 1970, requiring federally funded projects to ensure that adequate relocation assistance and other protections are available for displaced persons.[58] By 1976, California adopted its own statute imposing relocation plan requirements on redevelopment agencies, mandating one-for-one replacement of any destroyed dwelling units occupied by low- and moderate-income families in redeveloped areas, giving occupancy preference to displaced residents in such low- and moderate-income units, requiring 20% of the housing created in redevelopment project areas to be affordable to low- and moderate-income people, and mandating creation of Project Area Committees before adoption of a redevelopment plan.[59] To help fund the housing requirements, redevelopment agencies were also required to set aside 20% of tax increment to increase and improve affordable housing for low- and moderate-income persons. The SFRA expanded the state redevelopment requirements in its Housing Participation Policy of 1990 by establishing guidelines for inclusion of low- and moderate-units in new residential developments in all redevelopment project areas; outlining inclusionary housing requirements of between 20 and 40%; deepening the affordability; and allocating up to 50% of tax increment monies to fund affordable housing in the City. Additional state law changes in 2002 extended the period of affordability for rental units from 15 to 55 years and from 10 to 45 years for affordable owner units; increased targeting of housing assistance toward

54 However, 3217 of the units existing at the start of the project were not replaced.

55 TODCO website: http://www.todco.org/timeline.html.

56 Hartman (1984, p. 114).

57 *Yerba Buena Center*. Retrieved Sept. 27, 2012, from City and County of San Francisco as Successor to Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=190.

58 *Western Addition A-1*. Retrieved Sept. 27, 2012, from City and County of San Francisco as Successor to Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=64.

59 California Health and Safety Code §§ 33410-33418.

Table 2. Comparison of California and San Francisco Redevelopment Agency Requirements

	State of California	SFRA
Affordable Housing Unit replacement requirement	One-for-one	One-for-one
Term of Affordability for units assisted with tax increment monies	55 years (rental); 45 years (owner)	55 years (rental); 45 years (owner)
Inclusionary requirement	15% (non-agency developed) 30% (agency developed)	20% to 40%
Occupancy Preference to displaced residents	Yes	Yes
% Tax Increment dedicated to Housing	20%	Up to 50%
Residential condemnation powers	Yes	No

Mendelsohn House

families with children and households of very low- and low-income; and made the inclusionary requirements permanent and extended their applicability to projects that were 10 or more units in size and to live/work units.[60] These revisions are intended to prevent any repeat of the mistakes of urban renewal in the past by expanding the role of redevelopment agencies not only to alleviate urban blight, but also to provide affordable housing and stimulate economic growth for the betterment of local communities.[61]

RESIDENTIAL HOTELS

Another significant struggle during this period was the fight to retain affordable residential hotel units. Residential hotel units are a significant affordable housing source for low-income elderly, disabled and formerly homeless persons. In 1980, the City adopted a Residential Hotel Demolition and Conversion Ordinance to stave the significant loss of these affordable housing units that had occurred during the late 1960s through the 1970s. Three significant events in particular led to this ordinance. First, four dozen hotels containing approximately 3,200 rooms were demolished as part of the Yerba

60 Memorandum to Agency Commissioners (Sept. 2, 2008). Retrieved from City and County of San Francisco as Successor to Redevelopment Agency website: http://www.sfredevelopment.org/ftp/archive/sfarchive.org/index9f7a.html?dept=1051&sub=&dtype=3456&year=7344&file=87282.

61 Since 1989, the SFRA has been the City's main provider of local funding for affordable housing subsidies. See III. Financing Affordable Housing – Tax Increment, supra, for more information.

Buena redevelopment, leaving the remaining stock primarily in the Chinatown[62] and Tenderloin districts.[63] Second, a small area adjacent to Chinatown, Manilatown, lost the International Hotel (I-Hotel), a 184-room residential hotel renting at $50 per month, primarily to Filipino and Chinese seniors, which culminated into one of the most dramatic battles of the rising housing movement. (See sidebar story, p.18). Upon the loss of the I-Hotel, it became readily apparent to the City that this form of housing was in severe shortage when the displaced residents were presented with options either much more expensive or in much worse condition than the I-Hotel itself.[64] The third event was the fight to prevent the loss of over 15,000 residential hotel units in the downtown Tenderloin district, primarily through conversion for use as luxury rooms for tourists or for sale as high-end condominiums.[65] The 1980 Residential Hotel Demolition and Conversion Ordinance banned demolition and conversion of residential hotel units absent payment of an in lieu fee to the City's affordable housing replacement fund.[66] The ordinance was strengthened in 1990 by increasing the amount of the fee and giving neighborhood nonprofits legal standing to enforce it.[67]

In the early 1970's, at least 4,000 units were demolished through redevelopment.[68] Between 1975 and 1981, San Francisco lost another approximately 5,000 units, or an average of over 800 units per year, to demolition, fire or conversion.[69] After the Residential Hotel Demolition and Conversion Ordinance took effect, losses averaged only about 50 units per year through 1989. After the ordinance was strengthened in 1990, losses averaged about 82 units per year through 2007, primarily due to fire, some to demolition, but none due to conversion. All units lost since the year 2000 are slated to be replaced or have already been replaced by permanently affordable units. In total, San Francisco has about 500 residential hotels with 19,120 rooms, about one-fourth of which are maintained with a guaranteed level of affordability and, in some cases, related supportive services for residents.[70]

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62 As of the early-1980s, almost one-half of the approximately 10,000 housing units in Chinatown were in residential hotels. Hartman (1984, p. 251).

63 Hartman (1984, p. 251).

64 Habal, Estella (2007). *San Francisco's International Hotel: Mobilizing the Filipino American Community in the Anti-Eviction Movement* (pp. 167-69). Philadelphia, Pa: Temple University Press.

65 Hartman (1984, p. 252). The organization of Tenderloin tenants, aside from spurring the Ordinance, resulted in rezoning the area in 1985 to prohibit new tourist hotels, as well as a significant mitigation package from existing proposed hotel development, including: a fee of $0.50 per hotel room rented, to be set aside for low-income housing development, amounting to approximately $320,000 per year for 20 years; a contribution of $200,000 from each hotel for community service projects; and hotel sponsorship of a $4,000,000 grant for the acquisition and renovation of four low-cost residential hotels for the city, a total of 474 total units. *SROs in San Francisco*. Retrieved Sept. 27, 2012, from Central City SRO Collaborative website: http://www.ccsro.org/pages/history.htm (citing Shaw, Randy (1996). *The Activist's Handbook* (p. 11). Berkeley, Ca: Univ. of California Press).

66 The 1981 ordinance required permits for conversion of residential hotel rooms to commercial use, imposing a strong replacement provision, and mandating that 80% of the replacement cost be provided to the City in the case of conversion or demolition. HSA Report on SRO's at 16-17.

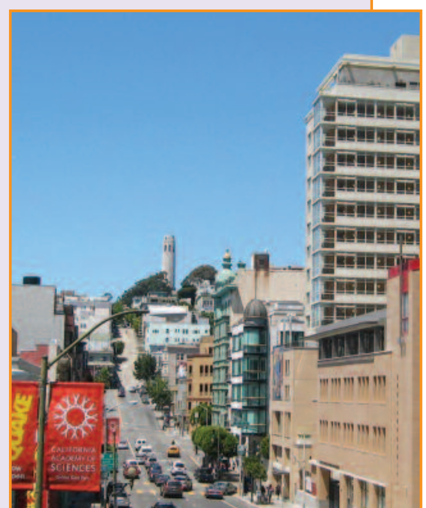
67 *SROs in San Francisco*. Retrieved Sept. 27, 2012, from Central City SRO Collaborative website: http://www.ccsro.org/pages/history.htm.

68 Id.

69 *Housing Element* (2011, p. I.32). Nationally, over 1 million residential hotel units were lost during the 1970's through mid-1980's. San Francisco fared better than many cities, losing about 38% of its stock before 1981, compared to a 60% loss of units in New York City; a respective 64% and 59% loss of residential hotels in Denver and Portland; and a loss of all comparable properties in Chicago by 1982. Kelly, Dan (Nov. 2009). *Fiscal and Policy Implications for Single Room Occupancy Hotels*. Report to SF-HAS Managers/city Dept. Representatives. Retrieved from: www.sf-planning.org; Wright, James and Rubin, Beth (1997). *Is Homelessness a Housing Problem? In Understanding Homelessness: New Policy and Research Perspectives*. Washington, D.C.: Fannie Mae Foundation, at http://content.knowledgeplex.org/kp2/kp/report/report/relfiles/homeless_1997_wright.pdf.

70 *Housing Element* (2011, p. I.32).

The story of the International Hotel (I-Hotel) exemplifies the evolution of the housing movement in San Francisco, beginning with the destruction of low-income, minority-occupied housing, followed by inter-racial community mobilization and advocacy and, finally, redevelopment of income and racially diverse communities. The I-Hotel struggle was also a focal point in the rise of the Asian-American movement in San Francisco, bringing together residents of Manilatown, Chinatown and others to save the I-Hotel from demolition.[71]



The I-Hotel was a 184-room residential hotel housing low-income Chinese and Filipino seniors in Manilatown,[72] an area situated between Chinatown and the expanding Financial District. In 1968, the owner of the I-Hotel sought to evict all residents so that the hotel could make way for a parking structure. At the time, the I-Hotel housed 182 people, comprised primarily of Filipino (53%), Chinese (20%) and black, Latino or white (27%) seniors.[73] Neighborhood, ethnic and church groups rallied to prevent the evictions, with demonstrations numbering up to 5,000 people.[74] After a long fight, the residents were ultimately evicted in 1977 and the I-Hotel was demolished in 1979.[75] Community activists continued to battle for nearly 20 years to have affordable housing replace the torn-down hotel, instead of the office high-rise planned by developers. Finally, in 1994, the property was purchased by the Roman Catholic archdiocese of San Francisco, which agreed to sell the air rights for development of the I-Hotel senior community to the Chinatown Community Housing Corporation (now Chinatown Community Development Center). With assistance of an $8.3 million Section 202 grant from HUD to develop the site for low-income senior housing and $8.7 million from the San Francisco Mayor's Office of Housing, the new International Hotel was developed.[76] The first residents moved into the 104-unit building in 2005, mostly from Chinatown, with the two remaining living residents of the original I-Hotel given priority occupancy.[77] Also occupying the ground floor of the new 15-story hotel is the International Hotel Manilatown Center, with a goal to keep alive the memory of the anti-eviction movement, the original I-Hotel and the Manilatown neighborhood.[78]

71 Habel (2007, pp. 2-3).

72 Habel (2007, p. 34). The I-Hotel was a low-cost residential hotel built in 1907 in the Manilatown neighborhood. Manilatown was home to thousands of seasonal Asian agricultural and cannery laborers and retired war veterans during the 1910's to the 1970's. By the late 1970's, the I-Hotel was almost all that was left of Manilatown. Habel (2007, p. 4),

73 Habel (2007, pp. 33-34).

74 Hartman (1984, p. 234).

75 Most of the residents, many of whom were in their 60's and 70's, relocated to homes in the South of Market area. Habel (2007, p. 167).

76 Habel (2007, pp. xix, 172). International Hotel Senior Housing, Inc., and Chinatown Community Development Center (formerly Chinatown Community Housing Corporation) partnered to complete the development. Retrieved Sept. 27, 2012, from website: http://www.chinatowncdc.org/index.php?option=com_content&view=article&id=113&Itemid=380.

77 Habel (2007, p. 174).

78 Habel (2007, p. 184).

RENT CONTROL AND CONDOMINIUM CONVERSIONS

Concurrent with community efforts to restrain urban renewal and to protect the residential hotel stock, tenant activists citywide became increasingly concerned about the soaring costs of privately-owned rental housing and the threats to the rental housing stock. As the decade came to a close, they were instrumental in the passage of ordinances to combat escalating housing costs and control the conversion of rental housing to condominiums in response to the influx of office workers into San Francisco. The rise in gas prices in the early 1970s rejuvenated interest among workers in San Francisco to leave the suburbs and move back into the City. The development philosophy of the time, focused on office and commercial development over residential development, meant that condominium conversion of existing apartment units became a rapidly rising trend to meet the ownership housing demand from this higher income population. The combination of the loss of rentals to condominium conversion and influx of higher income renters to the City drastically reduced rental vacancy rates[79] and increased market rents.

San Francisco, a city of renters, consists of approximately 65% renters and 35% owners, the reverse of prevailing patterns nationwide. Its housing stock is approximately one-third single family homes, one-third units in buildings containing 1 to 4 units, and one-third units in larger apartment buildings. The demand for more ownership units inevitably led to conversion of the rental stock since unit conversion was generally cheaper and easier than developing new condominiums and development of new single family homes was virtually impossible. Between 1970 and 2000, almost 9,000 low-rent apartments[80] were demolished or converted to condominiums.

Tenant advocacy was responsible for the passage of two key ordinances designed to mitigate the decreasing supply and rising cost of rental apartments in the City. First, the San Francisco Residential Rent Stabilization Ordinance (Rent Ordinance) was enacted on June 13, 1979, to protect existing tenants against excessive rent increases and prevent evictions without just cause.[81] The Ordinance applies to most rental units built before June 1979 and limits the amount that rents may increase each year that the tenant occupies the unit and the reasons for which a tenant may be evicted.

79 As of 1969, the rental vacancy rate was a dismally low 1.1%. *Housing Element* (2011); Habel (2007, p. 48).

80 *SROs in San Francisco.* Retrieved Sept. 27, 2012, from Central City SRO Collaborative website: http://www.ccsro.org/pages/history.htm.

81 The Rent Ordinance has been amended 20 times, several times by ballot measures. Most of the amendments toughen the law and strengthen housing security for tenants. For example, amendments have limited owner move-in evictions, required relocation payments to tenants, reduced the types of housing exempt from coverage by the ordinance, and established that foreclosure is not "just cause" for eviction. Residential Rent Stabilization and Arbitration Ordinance, Chapter 37 of the San Francisco Administrative Code.

Landlords are unrestricted in the amount of rent they can charge once a change-over in tenants occurs (called vacancy decontrol), but must again follow the same regulations for annual rent increases and just cause for eviction for that new tenant. Although the number of rent controlled units continues to decline, particularly in smaller two-unit buildings that are not subject to condominium conversion controls, approximately 170,000 rental units, or over 70% of the City's rental stock, are protected by rent control.[82] This ordinance fills a unique niche by helping to retain a large number of units available to low-, moderate- and middle-income households in the City.

Second, the Condominium Conversion Ordinance was adopted in 1979 "[t]o preserve a reasonable balance of ownership and rental housing within the City and County of San Francisco."[83] The ordinance originally limited the number of rental units that could be converted to no more than 1,000 annually. This was changed within a few years to permit a maximum of 200 conversions per year and allow only smaller buildings containing between two and six units to apply for conversion.[84] The objective of the limit on the size of eligible complexes was to retain the larger occupied rental properties for their original intent as rental housing; in essence helping to protect what were now rent controlled units.[85] Additional tenant protections included the tenant's right to purchase the unit upon conversion or renew their lease for up to one year, as well as receive relocation expenses.[86] Further, units that were part of the City's low- and moderate-housing stock and that were converted between 1979 and 1988 were required to be set aside as below market units and continue to be offered at below market rates to households of low

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82 *Housing Element* (2011, p. A.14); 2010 U.S. Census. The Ordinance was created in part to increase equity so fixed-income households (E.g., elderly), struggling families, or minorities were not forced to leave the City because of excessive rent increases. Renters comprise 65% of residents and a majority of the electorate, meaning they have a huge impact on government officials' decisions, adding to the strength of the program.

83 S.F. Mun. Code, § 1302(c)(1); see Leavenworth Properties v. San Francisco, 189 Cal.App.3d 986, 992 (1987).

84 Two-unit buildings in which at least one unit has been continuously occupied for at least three years by an applicant owner are exempt from the lottery. Three to six unit buildings may convert if at least 50% of the units are similarly occupied, if the applicant owners win the annual conversion lottery, meet occupancy requirements and satisfy tenants' rights rules (including relocation) and the City's tenant protection legislation. San Francisco Subdivision Code, Art. 9 Conversions. Since its adoption, the ordinance, like the Rent Ordinance, has been the subject of much litigation and has been amended numerous times, each time strengthening the tenant protections. It has also been subject to almost continual attacks from owners seeking to avoid rent control and the real estate industry seeking to convert more of the housing stock from rental to ownership. Many apartments that were unable to convert have been sold as tenancy-in-common (TIC) units to multiple owners, essentially removing them from the rental stock. TIC owners frequently apply to convert these units to condominiums once they have fulfilled the conversion requirements. Recent attacks have come from tenancy-in-common owners, which is understandable given that owners can demand a higher price on the market if units are sold as condominiums. See, e.g., Gallagher, Mary. *Tenants in Common Disadvantages.* San Francisco Chronicle. Retrieved Sept. 27, 2012, from SFGate website: http://homeguides.sfgate.com/tenants-common-disadvantages-6821.html; *Supervisors offer new plan to allow more condo conversions.* Retrieved Sept. 27, 2012, from SFGate website: http://blog.sfgate.com/cityinsider/2012/06/11/supervisors-offer-new-plan-to-allow-more-condo-conversions/.

85 Analysis of total condominium units in the City as of the 1980 Census (6,258 units) showed that about 50% were either renter-occupied (1,863) or vacant (1,064), indicating a high percentage were being retained for investment housing and not contributing to ownership opportunities in the City. The loss of rental units in a market where vacancy rates remained below 3% to provide investment rather than resident purchase opportunities was seen as a detriment to housing objectives, supporting a change in the conversion ordinance. Gellen, Martin, et al. (July 2004). *Promoting Homeownership Through Condominium Conversion* (pp. 3-4). SPUR. Retrieved Sept. 27, 2012, from SPUR website: http://www.spur.org/publications/library/report/promotinghomeownershipthroughcondominiumconversion_090704.

86 Gellen (2004, p. 3); *Housing Element: Part II: Objectives, Policies and Implementation Programs* (2004, Policy 2.3). Adopted by San Francisco Planning Commission.

or moderate income.[87] While this ordinance has prevented the conversion of larger properties and limited the conversion of two to six unit properties, about 2,296 units were lost between 1999 and 2007 to conversion in owner-occupied, two-unit buildings, which are not regulated by the ordinance.[88] The ordinance restricts only conversion of existing rental properties; it places no restriction on the development of new condominium units. Since this ordinance has been adopted, virtually all new private, market-rate multifamily units constructed have been condominiums, even when the initial intent has been to operate the development as a rental complex.

SHIFTS IN DEVELOPMENT PERSPECTIVES AND FUNDING OPPORTUNITIES

Additional changes in the late 1970s influenced the policies and programs that would develop in the next decade. The 1978 passage of Proposition 13[89] limited the annual real estate tax on a parcel of property to 1% of its assessed value and limited annual increases in assessed value to 2% per year, until and unless the property has a change of ownership. San Francisco already had booming office development and passage of Proposition 13 created incentives for it to encourage commercial and retail over residential development due to the increased tax revenues such development generates.[90]

Also, with the demise of the federal urban renewal programs in 1974, the rise of the tenants and neighborhood preservation movements, and the new one-for-one replacement obligations imposed by the state, the SFRA slowly began its transformation to a new mission, one focused on housing development and preservation and neighborhood revitalization without displacement.

At decade's end, the housing movement had grown and matured. Tenant activists had won significant victories. Low income neighborhoods began organizing to prevent commercialization and displacement and community organizations began to realize that simply preserving existing affordable housing was not enough to serve resident needs; rather, development of new community-controlled affordable housing was critical. It also became apparent that as families change and residents age in place, additional services are needed, such as child care, senior living facilities, and other neighborhood infrastructure. In other words, to ensure continued, thriving neighborhoods, the focus on housing needed to expand to "developing communities."

Housing activists turned their attention to two challenges: identifying funding sources for housing development and preservation and applying environmental and land use law to protect neighborhoods and participate in the broader development policy arena.

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87 *Condo Conversion BMR Program.* Retrieved Sept. 27, 2012, from Mayor's Office of Housing website: http://sfmoh.org/index.aspx?page=257.

88 *Housing Element* (2011, p. A-16).

89 Ca. Const., Art. 13A.

90 In response to the almost 60% reduction in property tax revenues to all local governments and redevelopment agencies that occurred after passage of Proposition 13, the number of established redevelopment agencies doubled to try to fill the gap in financing for capital projects, particularly public improvements. Beatty (2004, p. 7); Schuk, Carolyn (2011). *Redevelopment Agencies 101*. Retrieved Sept. 27, 2012, from Santa Clara Weekly website: http://www.santaclaraweekly.com/2011/Issue-7/redevelopment.html. Redevelopment agencies, cities and counties also competed for the sales tax revenue resulting from retail development, as Proposition 13 made sales tax a key component of a locality's revenue. Proposition 13 caused what has been called the "fiscalization of land use" in California, where land use decisions are made locally.

1980s: Equitable Development, Neighborhood Preservation, and New Resources

The 1980s began with the newly organized neighborhood-based nonprofit developers winning a significant victory in redirecting the City's CDBG grant[91] and the tenants' movement achieving passage of the condominium conversion law. The City adopted its first redevelopment plan in more than a decade, the Rincon-Point South Beach Plan in 1981, after a four-year community planning process.[92] With office development still booming, activists became knowledgeable about environmental and land use law and began using land use public hearings and procedures to demand exactions from office development to mitigate the affordable housing demand generated by the development.[93] Important achievements discussed in this section include:

- Adoption of the Office Housing Production Program in 1981 by the Department of City Planning, and codification of the policy in 1985, requiring developers of large office buildings to develop affordable housing or pay an in lieu fee to mitigate the housing demand generated by new workers, along with legislation requiring linkage fees for other resident services, such as child care;
- Passage by voters of a groundbreaking ballot measure in 1986 (Proposition M), which capped the amount of office development that could be approved each year and established planning priorities that incorporated the development and preservation of affordable housing in the General Plan;[94] and
- Organization of residents within "ring neighborhoods," those circling the downtown financial district, whose advocacy led to prohibitions on the demolition of housing units in the downtown area without conditional use approval and creation of community-based neighborhood plans to protect the residential nature of these neighborhoods.

GENERATING HOUSING FROM OFFICE DEVELOPMENT

In 1981, using the analytical methodology and concept of "mitigation" taken from environmental law, housing and environmental advocates persuaded the Department of City Planning to adopt the Office Housing Production Program to mitigate the housing demand generated by new office development. The developers of large office buildings were required to develop affordable housing or pay an in lieu fee calculated on the expected number of new

91 See III. Financing Affordable Housing, supra.

92 Rincon Point-South Beach is a 115-acre redevelopment project composed of two non-contiguous geographic areas along San Francisco's northeastern waterfront. Demonstrating the City's economic transformation, much of the area was formerly characterized by dilapidated warehouses, open cargo storage yards, abandoned or underutilized buildings, several piers in unsound condition and an extensive network of underutilized street rights-of-way. Since 1981, the area has been transformed into a new mixed-use, waterfront development. More than 2,800 residential units have been developed, with 24% of the units set aside for low- and moderate-income households, over 1.2 million square feet of commercial space has been constructed, as well as the historic rehabilitation and commercial reuse of five buildings a 700-berth harbor, two public parks, and a waterfront baseball park. No housing was demolished in this project area.

93 A laboratory for community involvement in land use was the Mission Bay Development, a 320 acre parcel, formerly rail yards, that was owned by Santa Fe Pacific Realty. Mission Bay had been slated for development since 1982, and in 1984, negotiations began on a somewhat scaled back plan. Numerous groups, energized by the passage of Prop M, coalesced under the umbrella of the Mission Bay Clearinghouse to address issues of housing affordability, traffic and transit, open space, environmental clean-up and jobs/housing balance. The plan that emerged from five years of negotiations, extensive public hearings, and a community victory at the ballot box, had unprecedented housing and community benefits and was approved by the Board of Supervisors in February 1991.

94 Downtown Plan, General Plan of the City and County of San Francisco, Department of City Planning, retrieved from http://www.sf-planning.org/ftp/General_Plan/Downtown.htm on October 5, 2012. See also , San Francisco Planning Code.

employees generated by the office development.[95] This was the first program of its kind in the United States. The program was formalized into an ordinance in 1985, requiring construction or contribution of land or in lieu fees to provide 386 units per million square feet of office development.[96] In conjunction with this program, legislation was adopted instituting office linkage fees for other resident services, including child care, open space, parks, transportation and public art.[97] The ordinance has since been modified in 1990[98] and 1999. In 2001, it was expanded to include all types of commercial development and was renamed the Jobs-Housing Linkage Program.[99]

About the time that the office linkage ordinance was adopted, the continued high rate of office development,[100] high office vacancy rates,[101] the adverse impact of commercial development on local communities, and the Downtown Plan's failure to adequately address these issues, spurred the community to go to the ballot with Proposition M, a binding office space growth limitation. Proposition M was approved by the voters in 1986. Through this path-breaking measure, San Francisco effectively limited the amount of office development that could be approved each year to no more than 475,000 square feet and created a competitive process among developers looking to construct office projects.[102] Proposition M also established several priority policies to be incorporated into the City's General Plan,[103] including preserving and enhancing existing neighborhood retail uses and opportunities for resident employment and ownership; preserving existing housing and neighborhood character; preserving and enhancing the city's affordable housing; maintaining a diverse economic base by protecting the industrial and service sectors from displacement due to commercial office development; and protecting parks and open space from

95 DeLeon (1992, p. 60).

96 Starkie, Edward (1991). *Office Development Linkage in San Francisco: Exacting the Social Costs of Growth* (p. 44). Submitted to Center for Real Estate Development, Mass. Inst. of Technology.

97 Starkie(1991, p. 46).

98 The original OHPP affected only those buildings 50,000 square feet or larger. Perhaps not surprisingly, the Planning Department began receiving a raft of applications for buildings 49,999 sq. ft., nicknamed "the Forty-Niners" by activists. In response, the activists successfully advocated for an amendment to cover buildings 25,000 square feet or larger.

99 *Housing Element* (2011, p. A.5). The job housing linkage fee imposes, with some exemptions, affordable housing requirements upon entertainment, hotel, office, research, and retail development projects proposing a net addition of 25,000 or more square feet throughout the City. *Performance Audit* (2012, p. 9).

100 New office development averaged about 1.7 million square feet per year between 1965 and 1985. San Francisco Planning Department (June 2011). *25-Years: Downtown Plan Monitoring Report: 1985-2009*. Appendix B, Table 1.

101 Office vacancy rates were near 15% on average and 18% for Class A space in the 1980s. San Francisco Planning Department (2004). *Downtown Plan Monitoring Report* (p. 16); DeLeon (1992, p. 54). See Chart 3.

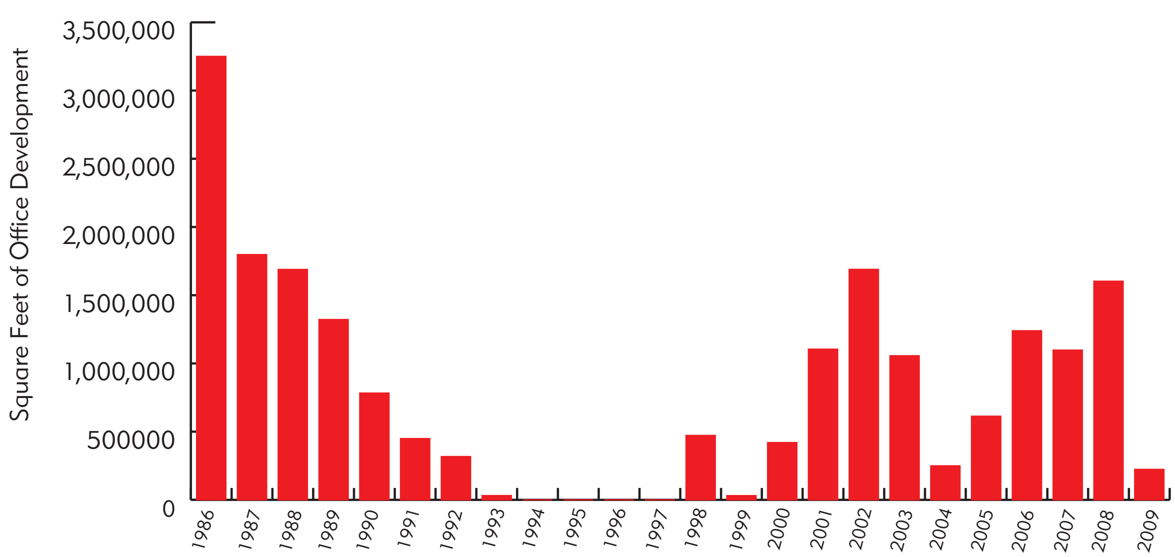
102 *Downtown Plan Monitoring Report* (2004, p. 10). The Downtown Plan limited approvals to no more than 950,000 square feet per year. To mitigate past approvals to this limit (and make the limit retroactive to developments approved between 1984 and 1986), Proposition M permitted only 475,000 square feet in new approvals through about 1998/1999. Office development is presently limited by the Downtown Plan to 950,000 square feet. Since the implementation of office limit controls, the annual average amount of new office space approved has dropped to about 788,000 square feet. Between 1986 and 2009, the year 2000 is the only year in which approvals were sought for more space than the limits would allow. San Francisco Planning Department (June 2011). *25-Years: Downtown Plan Monitoring Report: 1985-2009*. See Chart 2. The annual competition, known as the "Beauty Contest," caused developers to "sweeten the deal" to engender support, putting activists in the enviable position of leveraging better designs, stronger job training and disadvantaged contractor commitments, and more affordable housing.

103 State law requires that the General Plan address seven issues: land use, circulation, housing, conservation, open space, noise and safety. Adopted by the Planning Commission and approved by the Board of Supervisors, the General Plan is San Francisco's guiding document for development and embodies the community's vision for the future of San Francisco. *Introduction to General Plan* (2011), at http://www.sf-planning.org/ftp/General_Plan/index.htm.

development.[104] To partially meet the demand for new office jobs created, the Plan sought to build between 1,000 and 1,500 new housing units city-wide each year, quite a shift from the commercial focus in the 1970s.[105] These policies evinced the movement of the community organizations to focus on community development and maintenance of services to residents in addition to preserving and providing affordable housing.

Interestingly, in this same year, the United States tax code underwent a significant change whereby real estate losses could no longer be used to offset other income. Because office properties could not be filled with tenants due to over-supply, and investors were limited in being able to write-off the loss, within just a few years, the speculative development of office space in San Francisco significantly declined. While this resulted in relatively little activity from the office linkage program until the market picked up again in the mid to late 1990s,[106] more than $72 million in affordable housing fees have been collected through this program since 1985, contributing to the development of more than 1,100 affordable housing units.[107]

Chart 2. Square Feet of Office Development: San Francisco, 1986 through 2009[108]



104 *Introduction to General Plan* (2011).

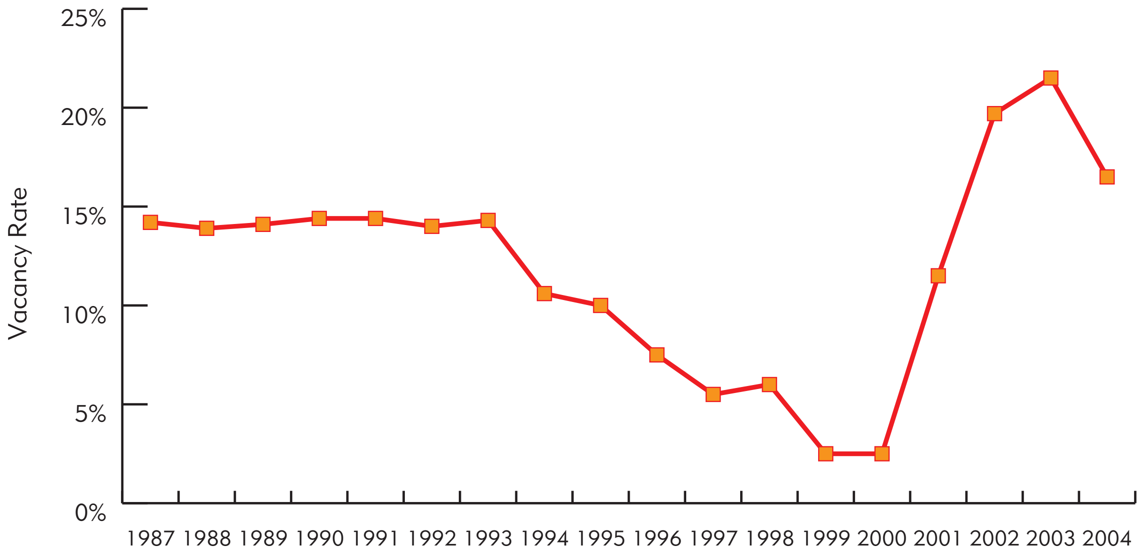
105 Housing production in San Francisco averaged over 1,670 units annually between 1985 and 2009, exceeding the Downtown Plan's goal for new housing construction, and of the over 21,680 units produced in downtown during this period, 39% were in redevelopment areas and 18% were affordable. *25-Years: Downtown Plan Monitoring Report: 1985-2009* (2011, p. 12).

106 *Id.*, Appendix B, Table 6. Job-Housing Linkage Funds Collected.

107 *Downtown Plan: Annual Monitoring Report 2011* (2012, p. 10). Units produced are affordable to low and moderate-income households (60% through 100% AMI) and are to be affordable for at least 50 years. *Downtown Plan Monitoring Report* (2004, App. C., p. 25).

108 San Francisco Planning Department (Oct. 2009). *Downtown Plan Monitoring Report, 2002-2007.*

Chart 3. Office Vacancy Rates: San Francisco, 1987 – 2004[109]



The "Ring Neighborhoods" Fight Back: Protecting Residential Uses In and Adjacent To Downtown from Encroachment by Commercial Uses

In the mid-1980s, concerned residents of the South of Market, Chinatown/North Beach, and the Tenderloin (also known as the North of Market), engaged in community planning and organizing to combat the "blowing out [of] existing residential neighborhoods in the concentric circles around downtown."[110] Their advocacy led to the adoption of an extraordinary provision of the Downtown Plan: a policy and corresponding Planning Code amendment that prohibits the demolition of housing units in the downtown, without conditional use approval, given only in very limited circumstances.[111] The Plan also had another housing provision that allows residential uses in certain downtown districts greater density with a conditional use, provided that the units exceeding the base Floor Area Ratio (FAR) limit are affordable for twenty years.[112]

Neighborhood efforts also resulted in the development of community-based neighborhood plans and

109 *Downtown Plan Monitoring Report* (2004).

110 Welch interview, July 20, 2012.

111 Planning Code Section 212(e) provides that all demolitions of residential buildings and conversions of residential space to non-residential uses in commercial districts be permitted only if authorized by a conditional use permit. This provision was part of the *Downtown Plan* text amendments, Ord. 414-85, approved 09/17/85. In 2008, Planning Code Section 317 added additional requirements and findings that the Planning Commission must make when considering any permit that involves the removal of a dwelling unit (Ord. 69-08, approved 04/17/08).

112 Planning Code Section 124(f). This provision was part of the *Downtown Plan* text amendments, Ord. 414-85, approved 09/17/85.

proposals for rezoning in Chinatown,[113] North Beach,[114] and the North of Market (Tenderloin).[115] While tailored to each neighborhood, these plans and zoning provisions generally protect existing housing from demolition or conversion and have various measures to protect and enhance the residential quality and scale of the neighborhoods.

NEW RESOURCES: FEDERAL AND STATE FUNDING IS ADDED TO THE MIX

Toward the end of the decade, changes at the federal and state level increased affordable housing financing opportunities. In 1986, Congress adopted Section 42 of the Internal Revenue Code, creating the Low Income Housing Tax Credit (LIHTC) program, providing private owners with an incentive to create and maintain affordable housing and becoming the largest source of funds for San Francisco's nonprofit developers.[116] In 1988, California entered the housing bond financing arena by passing Proposition 77, a $150 million bond for earthquake safety and housing rehabilitation, and Proposition 84, a $285 million housing bond for homeless, home purchase, rental and rehabilitation programs.[117]

These new resources leveraged San Francisco's local investment, making the affordable housing development boom of the 90s possible. Because of CDBG funding, which enabled the City's nonprofit developers to plan new projects, they were "ready to go" and able to compete favorably and "really [take] advantage of the [state's] early general obligation bond financing and tax increment resources…"[118]

1990s: Inclusive Redevelopment, the Dot.Com Boom, and Housing Preservation

The 1990s began with the housing development organizations coming to the aid of the City in assessing the damage to the City's affordable housing stock from the 1989 Loma Prieta earthquake

113 See Chinatown Area Plan, San Francisco General Plan, retrieved from: http://www.sf-planning.org/ftp/General_Plan/Chinatown.htm. Chinatown was studied and rezoned in 1987(Ord. 130-87, approved 04/27/87). The rezoned districts may be found in Planning Code Section 810 and work together with Section 812 controls to protect existing housing from demolition or conversion, encourage new housing and accommodate modest expansion of Chinatown business activities as well as street-level retail uses. The size of individual professional or business office space is limited to prevent encroachment of larger office uses from the financial district. Housing development in new buildings is encouraged on upper stories.

114 Controls for the North Beach and Broadway Neighborhood Commercial Districts (Planning Code Sections 714 and 722, respectively) were adopted as part of the Neighborhood Commercial Rezoning (Ord. 69-87, approved 03/13/87) and encourage housing development above the second story. Existing housing is protected by limitations on demolitions and upper-story conversions.

115 The existing zoning was changed to high density residential with ground floor commercial and a new North of Market Residential Special Use district was created "to protect and enhance important housing resources in an area near downtown, conserve and upgrade existing low and moderate income housing stock, preserve buildings of architectural and historic importance and preserve the existing scale of development, maintain sunlight in public spaces, encourage new infill housing at a compatible density, limit the development of tourist hotels and other commercial uses that could adversely impact the residential nature of the area, and limit the number of commercial establishments which are not intended primarily for customers who are residents of the area." The special use district generally prohibits demolition of buildings containing residential units, subject to conditional use considering the purposes of the District and the adverse impact on the public health, safety and general welfare due to the loss of existing housing stock, among other purposes. Planning Code Section 249.5, with Ord. 165-85, approved 03/28/85.

116 See Table 1. City, State and Federal Financing of San Francisco's Affordable Housing Projects: FY 2002-03 to FY 2010-11, *supra.*

117 California Housing Bonds, California Department of Housing and Community Development, 2006, retrieved from http://business.ca.gov/LinkClick.aspx?fileticket=5BBQA-xO19w%3D&tabid=247.

118 Lee interview, July 25, 2012.

and engaging in housing rehabilitation work.[119] The "great bargain" had been made between the City and the SFRA and tax increment began to flow,[120] allowing the City to compete effectively for the new federal and state affordable housing resources. Pressure from the rising dot.com boom increased the demand for housing and office space, drastically reducing rental and office vacancy rates and increasing rental rates and housing costs. In addition, budget and policy changes in Washington threatened San Francisco's HUD-financed affordable housing stock. Programs and policies that arose in the face of these challenges included:

- Adoption of new redevelopment project areas for South of Market, Mission Bay and Hunters Point Shipyard, each with affordable housing as a key component;
- Implementation of inclusionary housing as part of redevelopment law and policy,[121] as well as adoption of a limited inclusionary housing policy by the City; and
- Creation of a Housing Preservation Policy to preserve the HUD-financed housing that was at risk of being lost.

INCLUSIVE REDEVELOPMENT: THIS IS NOT YOUR GRANDFATHER'S REDEVELOPMENT AGENCY!

In sharp contrast with the adjacent Yerba Buena Project, the South of Market Redevelopment Project is a small, mixed-use neighborhood plan developed in partnership with its residents, small business owners and community organizations and is intended to improve the area without gentrification and displacement. San Francisco adopted the South of Market Earthquake Recovery Redevelopment Plan on June 12, 1990, in accordance with the newly adopted state Community Redevelopment Financial Assistance and Disaster Project provisions, enabling the SFRA to repair, restore, and/or replace buildings and physical infrastructure


Mission Creek Senior Center


Westbrook Plaza

119 In 1989, the Loma Prieta earthquake created havoc in downtown, with particular damage in the South of Market, Tenderloin and Chinatown areas. The earthquake measured 7.1 on the Richter scale and lasted only 15 seconds. Older, unreinforced masonry constructed buildings suffered the most damage, including many residential hotel units and those occupied by low- and moderate-income families. Various estimates have been made on the count of losses. One article citing City of San Francisco, 1989, "Earthquake Impact on Low and Moderate Income Housing," Report # 4, Mayor's Office of Housing, November 20, estimates 6,300 of rental and affordable housing units were destroyed or significantly damaged, most of which were downtown. Comerio, Mary C. (1997). *Housing Repair and Reconstruction After Loma Prieta.* Univ. of Ca., Berkeley, at http://nisee.berkeley.edu/loma_prieta/comerio.html.

120 See discussion, above, under III. Financing Affordable Housing, Tax Increment.

121 See discussion within this section, above, under "1970s: Neighborhood Preservation and Tenant Protection; Redevelopment and Urban Renewal" and Table 2.

damaged by the quake and to provide economic development assistance to neighborhood-serving businesses and related establishments. Housing was the mainstay of this plan. Since 1990, the SFRA has provided earthquake recovery assistance to residents and businesses and has improved housing opportunities by funding the construction or rehabilitation of more than 1,000 new affordable housing units. It has funded the construction of new, widened sidewalks with new street trees and street lights as well and has provided façade and tenant improvement loans to property owners and neighborhood-serving businesses. The agency has supported community nonprofits that provide health care and other services that contribute to the cultural identity of the area. Remarkably, the SFRA has done so with the active participation and support of the South of Market Project Area Committee.

The Mission Bay project was originally adopted as a development agreement with no redevelopment agency involvement in 1991.[122] As a result of the

Between 1998 and 2005, the SFRA, in consultation with the South of Market Project Area Committee (PAC), worked on a proposal to amend the Project Area. The Plan Amendment, which was adopted in December 2005, converted the earthquake recovery redevelopment project into a traditional redevelopment project, enabling the Agency to invest $37 million dollars of tax increment in affordable housing. A range of units has been developed, including ownership housing by Habitat for Humanity, family rental housing, rehabilitation of residential hotels, and the award-winning Plaza Apartments, containing 100 studio units for formerly homeless people with on-site medical and psychiatric services, in a LEED Silver, beautifully designed sustainable building. The development also has space for a community-based theater and a credit union and other neighborhood-serving retail.

The Plaza Apartments

122 See note 93 regarding the 1991 plan.

severe real estate recession in the early 1990s, the project was stalled and, in February 1996, the owner formally terminated the development agreement. Newly elected Mayor Brown made jump-starting the development a priority for his administration. Housing became the economic engine of the new Mission Bay, and the project came under the jurisdiction of the SFRA so that tax increment financing could be used for the substantial infrastructure required for the project. The new

plan included a 43 acre University of California San Francisco medical campus; 6,000 housing units, of which 1,700 would be permanently affordable on land donated by the developer; 5 million sq. ft. of commercial space; 43 acres of public space, a new school, jobs and contracting provisions, and other features. It contains an unusual phasing and linkage formula to ensure pro rata development of the affordable housing. The plan was adopted unanimously by the Board of Supervisors in October 1998. It has set the standard for affordable housing and public benefits in large scale development that has since been followed in the Hunters Point Shipyard, Treasure Island, and Transbay Plans.[123] Approximately one-third of the housing units will be permanently affordable and contain housing for a diverse range of needs, and the new mixed-use neighborhoods will be equipped with child care, health and social services, as well as amenities such as neighborhood-serving retail, parks, libraries, and schools.

The Hunters Point Shipyard, consisting of 500 acres along the southeastern waterfront, was included on the Department of Defense's 1991 Base Realignment and Closure (BRAC) list. In 1993, the San Francisco Board of Supervisors designated the Shipyard as a Redevelopment Survey Area and, after an extensive multi-year community planning effort, adopted the Hunters Point Naval Shipyard Redevelopment Plan in 1997. The plan was amended in 2010 to integrate the planning and development of an additional 280 acres owned by the City within the larger Bayview

123 For more information see: http://www.sfredevelopment.org/index.aspx?page=61, retrieved from the SFRA's website on October 6, 2012.

Hunters Point

Hunters Point Redevelopment area – specifically, the site of the Candlestick Park football stadium, called Candlestick Point. The project area is divided into Parcels A through F, and the transfer of parcels occurs in phases after environmental remediation by the Navy. This enormous phased mixed-use development will generate hundreds of new construction jobs each year, and will create more than 10,000 permanent jobs over the next 20 to 25 years. The completed development will include: 12,100 housing units, 32 percent of which will be affordable housing; 352.6 acres of open space; 100,000 square feet of space for community facilities; job training and contracting programs for community residents and organizations; 885,000 square feet of retail; approximately 3 million square feet of "clean" technology research and development space, a clean tech business incubator and the headquarters for the UN Global Compact Sustainability Center; new and renovated space for Shipyard artists; a hotel; and $1 million fund for additional community benefits. The development is subject to a far-reaching Community Benefits Agreement negotiated by the San Francisco Labor Council, the San Francisco Organizing Project, and (the former) ACORN that contains affordable housing commitments and funding for down payment assistance, workforce development, a first source hiring agreement and a community benefits fund.[124] In addition, the development will include rebuilding the Alice Griffith public housing development consistent with the City's HOPE SF Program and a Choice Neighborhoods Initiative grant.

To achieve this ambitious development plan, the City and the SFRA have pledged all of the net available tax increment from the Phase 2 area for the public improvements in the area. The Project will be a transformative project for the Bayview Hunters Point community and the City and a true test of inclusive gentrification.[125]

PRESERVATION OF FEDERALLY-ASSISTED AFFORDABLE HOUSING

Near the end of the 1990s, the affordable housing supply was facing threats from Federal budget and policy changes. Beginning in 1996, Federal changes threatened the potential conversion of 8,000 units in 88 HUD-assisted housing developments to market-rate. Proposals in Washington would have converted all project-based Section 8 contracts to tenant-based vouchers. At the same time, HUD restored an owner's right to prepay the underlying FHA-insured mortgage and cancel the project-based Section 8 contract, threatening conversion of these properties to market-rate units. In response, the City created a groundbreaking Housing Preservation Program to preserve its "at risk" affordable housing.[126]

The SFRA and the Mayor's Office of Housing worked with residents, owners, nonprofit organiza-

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124 The agreement also included the signatories' commitment to support the developer-supported ballot measure, Proposition G, on the June 2008 ballot that was deemed necessary for the project to proceed and to oppose a competing initiative, Proposition F, that the developer claimed would doom the project. Proposition G prevailed at the polls and Proposition F failed. The agreement can be found at http://www.benefitingbvhp.org/index.php?option=com_content&view=article&id=83&Itemid=106

125 An enormous amount of material, including all plans, disposition agreements, community benefit agreements, and much more can be found at: http://www.sfredevelopment.org/index.aspx?page=57. Retrieved from website on October 6, 2012.

126 Memo from James B. Morales, General Counsel of the SFRA, to Agency Commissioners (Jan. 31, 2001). *Update on the...Housing Preservation Program. San Francisco: A City Committed to Preservation*, Policy Link case study, at http://www.policylink.org/ site/c.lkIXLbMNJrE/b.5136999/k.7DA7/Case_Studies.htm; Galle, Brian, *Preserving Federally Assisted Housing at the State and Local Level: A Legislative Toolkit.* 29 Hous. Law Bulletin 183 (Oct. 1999).

tions (including NHLP), state and federal agencies, and financial institutions to develop the Housing Preservation Program, which was adopted in 1997. At a time when the nation lost over 100,000 units of federally-assisted housing, San Francisco did not lose even one.[127] Of 35 properties that were privately owned and at risk of conversion in 1997, by 2001, 11 had been transferred into non-profit or cooperative ownership, ensuring permanent affordability.

The SFRA Housing Preservation Program relies on public/private collaboration and an inclusive process that encourages participation from banks, tenant advocates and non-profit housing agencies. The program has three primary components: education and outreach to tenants, regulatory and legislative advocacy, and facilitation of private property ownership to non-profits or cooperatives that will result in long-term affordability.[128]

The Rent Control Ordinance was amended to apply to any formerly HUD-assisted property occupied before 1979 that emerges from the federal program,[129] ensuring that the affordable subsidized rents remain the base rents for the now unrestricted property, and discrimination based on source of income is prohibited, preventing owners from refusing to accept rent vouchers.[130]

Tax increment funds grants and below-market loans are provided for nonprofit purchasers and pre-development assistance.[131] A public land trust model has been used in most cases, whereby the land is purchased by the Redevelopment Agency and leased to the owners of the improvements for use as affordable housing for up to 99 years.[132]

The success of a program like this depends upon supportive local ordinances, financial assistance for tenant organizing and capacity building, substantial local financing, and the effective use of other fiscal resources for acquisition and renovation purposes.[133]

127 *San Francisco: A City Committed to Preservation*, at http://www.policylink.org/site/c.lkIXLbMNJrE/b.5136999/k.7DA7/Case_Studies.htm.

128 Gray, Deb Goldberg (Sept. 2000). *Resident Participation in Affordable Housing Preservation Projects: What Works?* (p. 36). Univ. Ctr. For Cooperatives.

129 29 Hous. Law Bulletin at 186, n. 13; San Francisco Administrative Code, Section 37.2(a)(2).

130 Gray, Deb Goldberg (Sept. 2000, p. 36). These are contractual obligations, not affected by the ruling on California's source of income statute, Sabi v. Sterling, No. B205279 (Cal. Ct. App. Apr.8, 2010), which rejected a Section 8 tenant's source of income discrimination claim when her landlord refused to accept her Section 8 voucher to help pay her rent after her husband passed away. The court held that the California Fair Employment and Housing Act's "source of income" discrimination provision does not protect tenants against discrimination based on their participation in the Section 8 Voucher program, finding that Section 8 vouchers do not constitute income for the purposes of the statute. This ruling places California law at odds with that of other states. It is an open question as to whether this ruling preempts local law.

131 29 Hous. Law Bulletin at 188, n.32; *San Francisco: A City Committed to Preservation*, Policy Link case study.

132 In most cases, the land purchases, averaging approximately $40,000 to $50,000 per unit, were for land originally sold to the developers for $500 per unit. According to Olson Lee, the Director of the Mayor's Office of Housing and former SFRA Deputy Director for Housing, the public land trust "avoids ever having to do it again, since we had to do it once...This will always be affordable housing and will always serve San Francisco in that way." Lee interview, July 25, 2012.

133 *San Francisco: A City Committed to Preservation*, Policy Link case study.

THE DOT.COM EFFECT AND CHALLENGES FOR THE NEXT DECADE

Development by the end of the 1990's shifted from a focus on office and commercial projects to residential homes. No new office projects were approved between 1992 and 1996 while the over-built product slowly gained occupants. Vacancy rates started to decline from near 15% to in 1993 to just over 5% by 1996. Between 1996 and 1997, San Francisco experienced significant growth in its core industries, attracting more businesses and employees, as it expanded due to the rise of the dot.com companies. By 2000, the citywide office vacancy rate fell to a record low 3%, while office rents increased to over $70 per square foot compared to about $25 per square foot in 1997. Once the "dot.com bust" hit in the early 2000s, however, office vacancies skyrocketed to over 20% by 2003 and rents fell 55%.[134] Between 2000 and 2005, there were over 47,000 fewer employed residents in San Francisco.[135]

The increased interest in San Francisco from businesses and employees during the boom period meant additional demand for housing. The housing market responded with a significant rise in housing costs – both ownership and rental – along with increased production in the late 1990s. Little market-rate housing development had occurred in the early and mid-1990s. In fact, in 1994, affordable housing units financed by the public sector comprised 63% (776 units) of all housing constructed that year. Housing development picked up in 1997 and housing unit approvals peaked in 1999 at 3,400 units. Growth in jobs, however, outpaced housing development at a ratio of 6.5 new jobs for each new home built during this period, significantly higher than the generally healthy balance of one new residence for each 1.5 jobs created.[136] Therefore, even with the increase in housing development, the average rent for a two-bedroom apartment increased 115%[137] between 1994 and 2000 and the median price of a 3-bedroom home rose 70%.[138]

Not only were new employees in San Francisco searching for housing, but the City was also increasingly becoming a "bedroom community" for the dot.com employees in the Silicon Valley to the south. Significantly, after the dot.com bust, home sale prices did not follow the path of commercial

In 1992, before the dot.com boom period, the City had incorporated an inclusionary housing policy that applied to certain developments outside of the SFRA's redevelopment areas. The policy required 10% of units to be set-aside as affordable for projects seeking conditional use permits or planned unit developments.[139] Obviously this policy was not strong enough to mitigate the demand during this boom period; however, it laid a foundation for a formal inclusionary zoning (IZ) ordinance in the following decade.

134 *Downtown Plan Monitoring Report* (2004, p. 15-16).33

135 *Housing Element* (2011, p. 14).

136 Calavita, Nica et al. (Feb. 2004). *Inclusionary Zoning: The California Experience* (p. 6). NHC Affordable Hous. Policy Review, vol. 3, issue 1.

137 In constant 2000 dollars, an average two-bedroom apartment rented for $1,274 in 1994 and $2,750 in 2000. *Downtown Plan Monitoring Report* (2004, p. 24).

138 In constant 2000 dollars, the median price of a 3-bedroom home was $274,690 in 1994 and $543,059 in 2000. *Downtown Plan Monitoring Report* (2004, p. 24).

139 *Performance Audit* (2012, p. 4).

rents, but rather, continued to increase through at least 2005.[140] Rental housing dropped after the dot.com bust, but by a comparatively low 26%.[141] Rental vacancies likewise increased, but from just

Chart 4. Median Home Sale Price: San Francisco, 1996 – 2008[142]

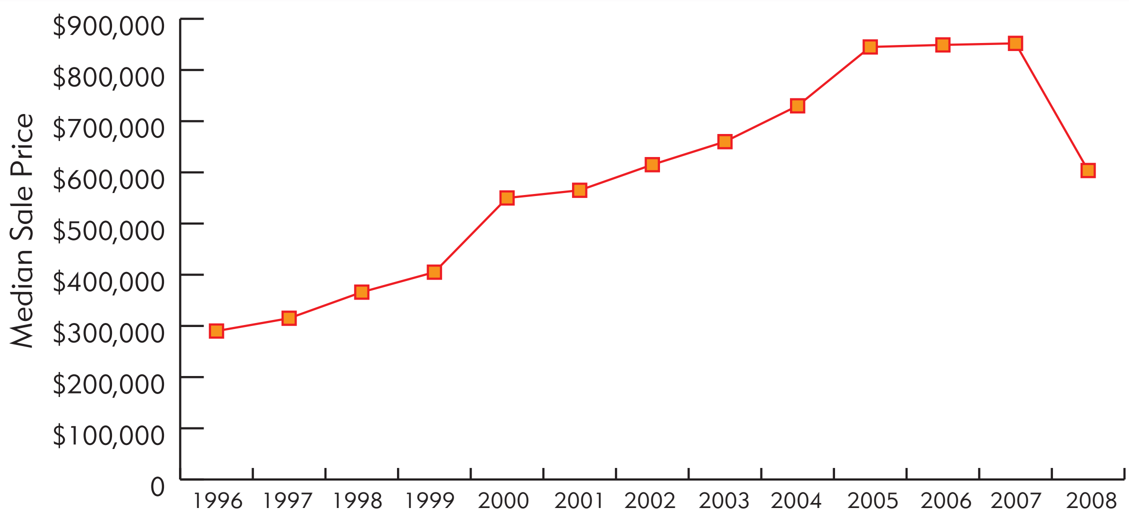
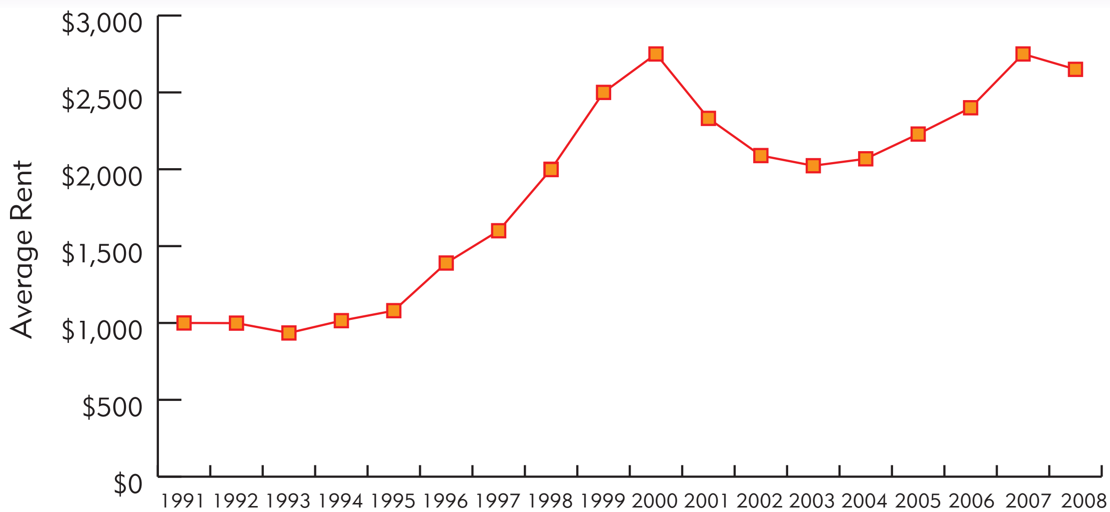


Chart 5. Average Rent for a Two-Bedroom Apartment: San Francisco, 1991 – 2008[143]



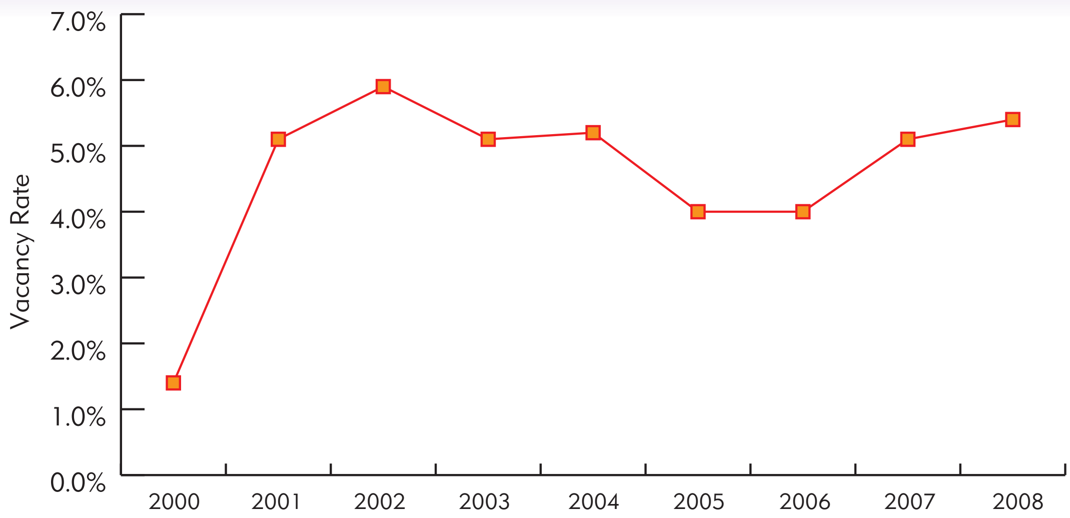
140 *Housing Element* (2011, p. 35).

141 *Housing Element* (2011, p. 36).

142 *Downtown Plan Monitoring Report* (2004, p. 38).

143 *Downtown Plan Monitoring Report* (2004, p. 24).

Chart 6. Rental Vacancy Rate: San Francisco, 2000 - 2008[144]



over 1% in 2000 to a peak of 6% in 2002, indicating a continuing strong rental market.

At decade's end, evidence of the City's housing crisis was everywhere. Rents had skyrocketed; the number of evictions had tripled over the previous five years; and the number of applicants for new affordable housing units exceeded production by a factor of ten. Market-rate development consisted mostly of "live-work" units that were suitable primarily for wealthy singles or couples. In his 1999 State of the City address, Mayor Brown lamented that nothing threatens our City's diversity more than the growing scarcity of decent affordable housing for low- and moderate-income people. Calling the housing crisis the City's most critical issue, he stressed the need for regional solutions and a renewed financial commitment from the state and federal governments.

2000s: Increase Affordable Housing, Remedy Past Losses of Housing, and Face New Challenges

The housing crisis described above was a statewide phenomenon. The state's electorate soon responded by passing Proposition 46, a $2.1 billion housing bond, in 2002, and Proposition 1C, a $2.8 billion measure, in 2006, adding greatly to the City's resources for affordable housing development.[145] The City ramped up its partnerships with health and social service agencies to produce new models of service-enriched housing for frail seniors, people with disabilities, those with substance abuse or mental health challenges, homeless people and others who would otherwise be living in institutions or on the streets. Nonetheless, the private sector was not doing its share, and the exclusionary effects of the tight market demanded that the City produce more affordable housing. Moreover, the declining

144 *Housing Element* (2011, p. I.38).

145 See Table 1, supra.

African American population, coupled with the redevelopment plans for the Bayview Hunters Point, rekindled fears and negative memories of urban renewal that the SFRA was determined to address. Significant policies and programs implemented in response, included:

- Broadening the City's Jobs-Housing Linkage program to apply to more than just office development;
- Adoption of an inclusionary zoning ordinance by the City, strengthening its 1992 inclusionary policy;
- Amendments to the SFRA's Housing Participation Policy to adopt inclusionary requirements similar to those imposed by the City;
- Expansion of the SFRA's Certificate of Preference program to increase the ability to re-house displaced residents from the early urban renewal period; and
- Adoption of SB 2113 and SB 211 in 2000 and 2001, extending the ability to collect tax increment funding to replace affordable units lost during the early urban renewal period.

INCREASE PRODUCTION

At the start of the 2000s, housing was in severe shortage and, with the dot.com boom still running strong, new commercial and residential development was occurring. As a result, ordinances and development requirements were expanded to ensure all types of development were mitigating at least part of their impact on the need for affordable housing. As noted earlier, revisions to the Jobs-Housing Linkage Program were made in 2001, applying housing requirements to all types of commercial development, not just office development.

With the increase in market-rate housing development, community organizations and other interest groups were also facing a new question – how can we get affordable housing produced from market-rate housing development? In 2001, a landmark court decision in California verified that inclusionary housing was a constitutionally valid extension of a jurisdiction's zoning powers.[146] The SFRA had been implementing its Housing Participation Policy since 1990, state redevelopment law required inclusionary housing in redevelopment project areas, and the SFRA's new project areas had set ambitious inclusionary goals to ensure economic inclusion. In 2002, the City's inclusionary policy was formally adopted as the Inclusionary Affordable Housing Ordinance and expanded to include all residential developments of ten or more units. The program encouraged on-site development of affordable units to increase social and economic integration.[147] The program was refined in 2006 to apply to all residential developments of five units or more and required a 15% affordable set-aside if the units were built on-site and a 20% set-aside if the units were built off-site or if in-lieu fees were paid. Affordability standards limited ownership units to be affordable to households earning no more than 90% of the area median income (AMI) and rental units for households earning no more than 55% AMI. Further, off-site units were required to be built within one-mile of the project site.[148] Revisions were again made in 2010,[149] requiring developers to pay

146 Calavita, Nica et al. (2004, p. 6). The landmark case was Home Builders Ass'n v. City of Napa, 108 Cal. Rptr. 2d 60 (Cal. Ct. App. 2001).

147 *Performance Audit* (2012, p. v).

148 Non-Profit Housing Assoc. of California (2007). *Affordable by Choice: Trends in California Inclusionary Housing Programs* (p. 26).

149 The changes in 2010 were largely in response to a ruling by the California Court of Appeals on July 22, 2009, finding that a Los Angeles inclusionary housing law was preempted by the rent control provisions of California's Costa-Hawkins Rental Housing Act, which allows residential landlords to set the initial rent levels at the start of a tenancy. Palmer v. Los Angeles, 175 Cal. App. 4th 1396 (2009). This ruling has caused most California cities, including San Francisco, to modify such laws, with particular regard to affordable rental housing requirements.

fees rather than construct inclusionary housing unless they meet special conditions and allowing developers to defer those fees until receipt of the certificate of occupancy for the completed project. Prior to the 2010 changes, about 75% of developers constructed inclusionary housing, while only 25% paid the fees. Since the change in 2010, about 55% of developers have paid fees.[150]

Changes were also made to the Redevelopment Agency's Housing Participation Policy in 2002. Unit percentages and affordability requirements were amended to be similar to the City's Inclusionary Affordable Housing Program.[151] Between 1992 and 2010, more than 1,500 units have been developed through the inclusionary program. Developers constructed the majority of the units, with inclusionary fees contributing to the construction of 154 units by the City and the SFRA developing about 236 units between 2002 and 2010.[152] The units are priced affordable for households earning between 50% and 120% of the San Francisco Area Median Income.[153] These units represented about 18% of the 8,081 total units financed by the Mayor's Office of Housing or the SFRA between 2002 and 2010.[154]

Inclusionary units fill a different affordability niche than federally-funded or city-funded affordable housing developments. Inclusionary units primarily serve low- to moderate-income ownership households earning between 55% and 90% of San Francisco's area median income (SFAMI), whereas projects built with affordable housing fees primarily serve households earning below 50% SFAMI and target households with specific demographics.[155] This is significant in San Francisco, where only 26% of new housing built between 2000 and 2008 was affordable to households making 100% or less of SFAMI in 2008; a 3-person household needed to earn over $106,000 per year (over 120% SFAMI) to afford the average rent for a two-bedroom unit; and only 11% of San Francisco households could afford the median housing price, which was over $600,000.[156] In other words, the market rate product is also largely unaffordable for households earning between 55% and 120% SFAMI. With the 2010 amendments to the Inclusionary Ordinance encouraging developers to pay fees rather than build units, there is concern that the number of units developed for low- to moderate-income households will decline.[157]

150 *Performance Audit* (2012, pp. v-vi, 50).

151 *Housing Element* (2001, p. A.5).

152 *Performance Audit* (2012, p. 46); *Housing Element* (2011, p. I.95).

153 The affordability of inclusionary units are set according to the City of San Francisco's Area Median Income (SFAMI) rather than the median income of the San Francisco Metropolitan Statistical Area, the latter being much higher because it includes Marin and San Mateo counties. This ensures that the inclusionary units built are within the financial reach of a greater number of resident households. *Housing Element* (2011, p. I.42).

154 *Performance Audit* (2012, p. 46).

155 *Performance Audit* (2012, p. 47). In fact, almost all of the moderate-income housing produced between 1999 and 2006 came from the inclusionary housing program. *Housing Element* (2011, p. A.2).

156 *Housing Element* (2011, p. 21).

157 *Performance Audit* (2012, p. vi).158 For more information about the Certificate Program, see: http://www.sfredevelopment.org/index.aspx?page=65, retrieved from website on October 7, 2012.

REMEDY PAST HOUSING LOSSES AND DISPLACEMENT

Certificates of Preference

The Certificate of Preference program, initially an urban renewal requirement, was administered by the SFRA to ensure that residents displaced due to urban renewal activities in the 1960s and 1970s received first priority for replacement housing. Certificates were originally issued to displaced residents and businesses of the early Western Addition and Hunters Point projects that had not been satisfactorily relocated by the Agency and entitled holders to preference for SFRA-funded housing. Certificate holders are now given priority for the Mayor's Office of Housing-sponsored and citywide housing and business opportunities in redevelopment project areas. As long as a Certificate holder meets a particular development's eligibility requirements for rental or ownership occupancy, they can move to the front of the waitlist to receive first priority for available housing.

The Certificates were originally issued to adult heads of households that were displaced, but the program was expanded in the 2000s to include all members of the household at the time of displacement. Even if the head of household had exercised his or her Certificate, other displaced household members, including those who were children at the time of displacement, may also exercise a Certificate, which are now set to expire in 2014 and 2016.[158]

Replacement Housing Obligations

Prior to the state-imposed one-for-one replacement requirement in redevelopment areas, the SFRA demolished 14,207 housing units and replaced them with only 7,498 units, resulting in a net loss of 6,709 units. In 2000 and 2001, the California Legislature adopted Senate Bill 2113 and SB 211, respectively, to redress the loss of residential dwelling units affordable to very low, low, and moderate income households during this period. Together, these bills allow the SFRA to incur indebtedness exclusively for low and moderate-income housing activities until all 6,709 units have been replaced. Prior to enactment of these bills, the ability to collect tax increment revenues from the Western Addition A-2 Project Area, for example, would have ended in 2009. Instead, tax increment may to continue to flow as long as all subsequent tax increment funds generated in the project area (other than amounts needed to repay previous bond issues or required by law to be passed through to other taxing entities) are used solely to finance affordable housing and related administrative costs.[159]

At the time of the enactment of these bills, the abrupt demise of the redevelopment agencies in California could not be predicted. As discussed in the next section, these bills ensure that even after the demise of the SFRA, the City will continue to receive some tax increment to replace the housing that was lost during the early urban renewal period.

THE NEW TECH BOOM

Towards the end of the decade, San Francisco was experiencing a new tech boom with profound effects on the City's employment base and housing market. As illustrated by Chart 7, between 2008 and 2011, tech employment has increased by almost 50%, while most other job sectors have either lost significant jobs or remained relatively static.

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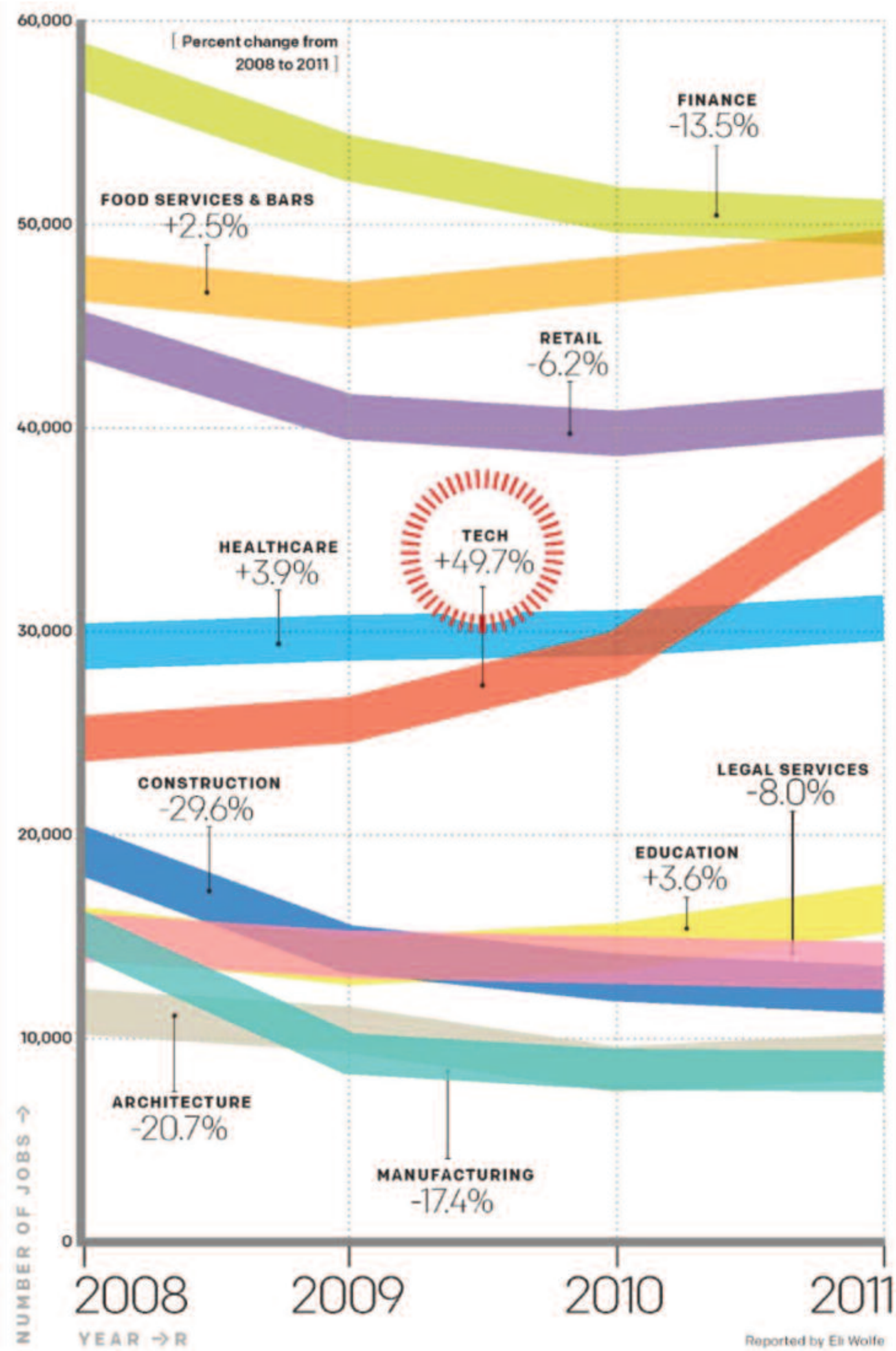
158 For more information about the Certificate Program, see: http://www.sfredevelopment.org/index.aspx?page=65, retrieved from website on October 7, 2012.

159 *Senate Bill 2113.* Retrieved Sept. 27, 2012, from the City and County of San Francisco as Successor to the Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=187.

Chart 7: Change in Jobs by Industry: San Francisco, 2008- 2011[160]



160 From David Talbot, "How Much Tech Can One City Take?" San Francisco Magazine, p. 91, October 2012, available at: http://media.modernluxury.com/digital.php?e=SANF. Printed with permission of San Francisco Magazine.

Rents are soaring and purchase prices for middle class homes have skyrocketed, with purchase prices often well over asking prices. "Again and again, you hear of teachers, nurses, firefighters, police officers, artists, hotel and restaurant workers, and others with no stake in the new digital gold rush being squeezed out of the city."[161] Longtime City residents continue to lament the loss of the City's treasured diversity. "We cleaned up this neighborhood and stopped the violence in the [public housing] projects – but now we can't afford to live here anymore," complained Buck Begot, a longtime Bernal Heights resident and housing activist. "When I moved here, every house on my block had a different ethnicity…Now they're all gone."[162]

161 David Talbot (Oct. 2012).

162 Quoted in Talbot, 2012.

V. Future Challenges

In 2012, with the state's commitment to affordable housing seemingly a victim of the state's fiscal crisis and HUD facing dramatic reductions, San Francisco shows renewed commitment to meeting these daunting challenges. There are limits, however, on how much it can accomplish alone.

Low- and Moderate-Income Housing Gap

The current San Francisco Housing Element update shows that the City has fallen woefully short of meeting its regional housing targets for households earning between low- and moderate-incomes (i.e., between 50% and 120% AMI).[163] The regional planning association, Association of Bay Area Governments (ABAG), develops estimates of housing needs in the Bay Area by household AMI and distributes affordable housing goals to local jurisdictions, in accordance with state law. According to the City's Housing Element, as shown in Table 3, San Francisco met about 86% of its allocated housing goals for the 1999-2006 period, adding 17,473 housing units of the estimated 20,372 units needed. Where ideally only 36% of the new housing in San Francisco would have been priced at market rates, and therefore affordable only to the highest income households, over 64% of new units were priced at market. The City did meet about 83% of its share of very low-income housing (households earning below 50% AMI); however, it met only 52% of its share of low-income housing (50 to 80% AMI) and less than 13% of moderate-income housing (80 to 120% AMI). According to ABAG's 2007-2014 production goals, San Francisco needs to produce another 31,193 units during this period, or about 53% more units than in the prior 1999-2006 planning period.[164]

Table 3: Housing Production Goals Versus Actual Housing Production San Francisco, 1999-2006[165]

Household Income by AMI	ABAG Housing Production Goals		Actual New Housing Production and Acquisition/Rehabilitation		
	# of Units	% of Total	# of Units	% of Total	% of Goals Met
Very low income (<50% AMI)	5,244	25.7%	4,342	24.8%	82.8%
Low income (50 – 79% AMI)	2,126	10.4%	1,113	6.4%	52.4%
Moderate income (80 – 120% AMI)	5,639	27.7%	725	4.1%	12.9%
Market (>120% AMI)	7,363	36.1%	11,293	64.6%	153.4%
TOTAL	20,372	100%	17,473	100%	85.8%

163 See Appendix 1: Racial and Family Composition of San Francisco Residents and Households: Challenges Ahead, for more information on the impact of this housing gap.

164 *Housing Element* (2011); *Performance Audit* (2012, p. i).

165 *Housing Element* (2011); *Performance Audit* (2012, p. i).

One challenge in serving this low- to moderate-income group is that federal funding is not available for households earning over 80% AMI (and in the largest subsidy, LIHTC, 60% AMI), reducing the City's ability to leverage local funds with additional monies to produce this housing. Units constructed through the inclusionary zoning program by private developers are the most significant source of housing affordable to these households; however, with the changes to the inclusionary program in 2010 encouraging payment over construction, it is expected the provision of moderate-income units will decrease. The Mayor's Office of Housing is evaluating the ability to increase or alter several programs in response to this need, including but not limited to:

- Doubling the funding to the current Down Payment Assistance program from $15 million to about $30 million and providing it to households earning up to 150% AMI;[166]
- Increasing the rehabilitation housing upgrades program;[167] and
- Exploring options under the inclusionary program to encourage construction of rentals affordable to households up to 80% AMI and increase the flexibility for the development of ownership units at 120% AMI.[168]

The Mayor's Office of Housing (MOH) and the SFRA have been instrumental in constructing, preserving and rehabilitating units affordable to very-low income households, as well as units serving special population needs, including but not limited to seniors, persons with disabilities and formerly homeless persons. Since 2002, MOH has financed the construction of over 3,800 low-income units and the SFRA has financed over 3,900 low-income units, far surpassing non-city agency development of about 1,500 low-income units. This includes the development by the SFRA of the first LEED Silver certified affordable housing project in San Francisco,[169] providing 106 SRO apartments for formerly homeless individuals in the South of Market area, called Plaza Apartments.[170]

166 MOH administers six down payment assistance programs, including four programs for purchasers of market rate units and two programs for purchasers of below market rate units.

These programs provide first time low and moderate homebuyers with down payment loans of between $10,000 and $100,000. *Performance Audit* (2012, p. 10).

167 MOH provides both grants and loans to homeowners and to owners of multi-family properties in need of repair, lead remediation, utility upgrades and other needs. Retrieved Sept. 27, 2012, from Mayor's Office of Housing website: http://www.sf-moh.org/index.aspx?page=318.

168 Lee interview, July 25, 2012.

169 In 2005, San Francisco's Mayor Gavin Newsom announced that the City would apply environmentally sustainable development principles to all the City's new affordable housing developments. With this announcement, San Francisco became the first city in the country to adopt green construction standards for housing targeted to low-income residents. Retrieved Sept. 27, 2012, at: http://www.californiagreensolutions.com/cgi-bin/gt/tpl.h,content=2583.

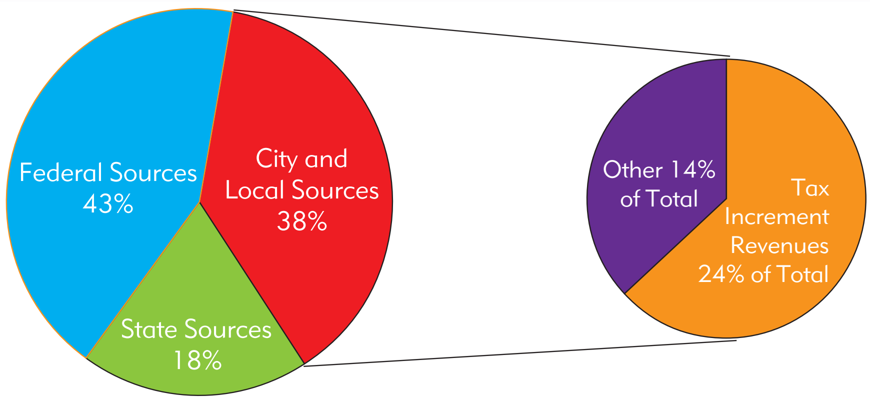
170 The development was completed in 2005 and fully occupied in 2006. Retrieved Sept. 27, 2012, at: http://www.calredevelop.org/External/WCPages/WCWebContent/WebContentPage.aspx?ContentID=1193. It was developed by the Public Initiatives Development Corporation, a wholly owned subsidiary of the San Francisco Redevelopment Agency, with additional financial assistance by Green Communities, a national green affordable housing program. *Mayor's Office of Housing 2008 Annual Housing Report* (2008, p. 27). Retrieved Sept. 27, 2012, from website: http://sf-moh.org/Modules/ShowDocument.aspx?documentid=4499.

Moving forward, a central focus of MOH in conjunction with the San Francisco Housing Authority[171] is the HOPE SF program. This is a collaborative, visionary effort of the City of San Francisco and its mayor, city agencies, and housing experts, as well as leading developers, community-based organizations, and residents to revitalize eight of San Francisco's public housing developments. HOPE SF is the nation's first large-scale public housing revitalization project to prioritize current residents and require one-for-one replacement, while also investing in high-quality, sustainable housing and broad scale community development. In sites across San Francisco, HOPE SF will create thriving, mixed-income communities, providing green buildings, better schools, new local businesses and onsite resident services that will transform these communities and provide opportunities to the residents who have struggled for generations.[172]

Demise of the SFRA and Birth of the Housing Trust Fund?

In partnership with San Francisco's non-profit developers, the SFRA and its tax increment revenue became powerful tools for the development of affordable housing. As noted above, since 1990, over $600 million of tax increment financing has contributed to the development of more than 10,000 units of affordable housing for low- and moderate-income families and individuals throughout San Francisco.[173] Tax increment revenues have comprised almost one fourth of the total funding for affordable housing in San Francisco since 2002 and constitute 63% of City and local funding alone.

Chart 8: City, State and Federal Financing of San Francisco's Affordable Housing Projects: FY 2002-03 to FY 2010-11[174]



171 The San Francisco Housing Authority (SFHA) was established in 1938. The SFHA is the oldest housing authority in California and the 17th largest in the country. The Authority administers the rental of public housing and the Section 8 voucher program in San Francisco. The SFHA has served over 10,000 individuals and families through the Housing Choice Voucher Program and serves over 20,000 individuals residing in San Francisco in total. SFHA owns 6,262 units of public housing, making it one of the largest property owners in the City. For more information, visit the SFHA website at http://sfha.org/index.html.

172 About HOPE SF: http://hope-sf.org/about.php.

173 Every dollar the Agency has invested has resulted in over $4.70 in additional investment from other sources, including federal tax credit equity, banks, foundations, and other public programs. *Housing Programs.* Retrieved Sept 27, 2012 from City and County of San Francisco as Successor to the Redevelopment Agency website: http://www.sfredevelopment.org/index.aspx?page=75. See below discussion for more information.

174 *Performance Audit* (2012, p. ii).

When Governor Jerry Brown announced his proposal to shut down the state's 65-year old Redevelopment Agencies (RDAs) in 2011, he hit a raw nerve with the City and local housing advocates. The Governor's plan was to transfer over $5 billion in annual redevelopment funds to local "successor" agencies. The successor agencies would use these funds to retire redevelopment debts and contractual obligations and redirect remaining revenues to other local governments in the county, such as K-14 education and fire service districts. The funds were to be redirected to help close the $25 billion budget deficit that California faced in 2012.

In a June 2011, a special legislative session convened to address California's fiscal shortfall, approving the dissolution of all redevelopment agencies, but also allowing cities to keep their agencies in place by committing to substantial "community remittances" to be paid to the state.

A coalition in favor of redevelopment filed suit the following month to fight the dissolution; however, the Supreme Court determined that the legislature could abolish redevelopment agencies but could not require those agencies to make payments to the state.[175] Accordingly, the San Francisco Redevelopment Agency, along with all 400 redevelopment agencies in California, was dissolved as of February 1, 2012.

Upon dissolution, the City became the successor to the SFRA and authorized the Mayor's Office of Housing to manage the former SFRA's affordable housing assets, exercise the housing functions that the SFRA previously performed, and continue to implement "enforceable obligations" which were in place prior to the dissolution.[176] Three major redevelopment project areas constitute enforceable obligations that will continue under the Successor Agency for non-housing functions and MOH for housing: the Mission Bay,[177] Hunters Point Shipyard,[178] and Transbay[179] redevelopment projects. Further, as discussed above, under SB 2113, the City will continue to receive tax increment funding from otherwise expired project areas to assist in the development of 6,709 replacement housing units that were lost to early urban renewal efforts. Almost 900 replacement housing units have been provided, leaving approximately 5,800 housing units to be replaced.[180]

Perhaps the most devastating threat posed by redevelopment's demise is the significant loss of funding

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175 California Redevelopment Association et al. v. Ana Matosantos, 267 P. 3d 580 (Ca. 2011).

176 Board Resolution No. 11-12 (Jan. 2012).

177 In conjunction with the approval of the redevelopment plans in 1998, the SFRA and Catellus Development Corporation entered into Owner Participation Agreements (OPAs). The OPAs are considered binding enforceable obligations that the City assumed as successor to the redevelopment agency. Retrieved Sept. 25, 2012, from San Francisco Office of the City Administrator website: http://sfgsa.org/modules/showdocument.aspx?documentid=8560

178 Having adopted the redevelopment plan in 1997, the Agency entered into disposition and development agreements with HPS Development Co. and CP Development Co. for phases 1 and 2, respectively. Retrieved Sept. 25, 2012, from San Francisco Office of the City Administrator website: http://sfgsa.org/modules/showdocument.aspx?documentid=8558

179 Adopted in 2005 and 2006, the Transbay redevelopment plan is enforceable due to an agreement with the Transbay Joint Powers Authority and USDOT, in order to secure a TIFIA loan. Retrieved Sept. 25, 2012, from San Francisco Office of the City Administrator website: http://sfgsa.org/modules/showdocument.aspx?documentid=8559

180 The fate of other important redevelopment projects such as Bayview Hunters Point, South of Market, and Treasure Island is less clear. In the case of Treasure Island, the City has opted to convert the redevelopment area into an Infrastructure Financing District. The district will generate tax increment financing to pay for some of the infrastructure costs. Retrieved Sept. 27, 2012, from SPUR website: http://www.spur.org/blog/2012-02-23/bay-area-cities-adjust-life-after-redevelopment.

for affordable housing development.[181] The City has, however, already proposed a charter amendment to institute a Housing Trust Fund – and the Amendment was just approved by the voters in November 2012. The new Housing Trust Fund is expected to more than compensate for the loss of the tax increment revenue dedicated to affordable housing development.

The Housing Trust Fund, which resulted from negotiations between members of the real estate industry, housing activists and small property owners, will provide an estimated $1.5 billion over the next 30 years for affordable housing production and other housing programs.[182] Revenue will be captured from former tax increment, hotel taxes, and an increase in business license fees.[183]

The Fund also responds to a growing political will and City need to provide housing for moderate income households.[184] The Fund will provide financing for households earning at or below 120% of the area median income to better serve their needs.[185] In comparison, presently 76% of the City's designated affordable rental units target households earning below 50% of the area median.[186]

The Housing Trust Fund will also fund programs in addition to housing production to address resident housing needs. This includes $15 million allocated to the Down Payment Assistance program to help households earning between 80 and 120% AMI purchase homes.[187] The Housing Stabilization Program will also receive $15 million to help current occupants maintain their housing, provide foreclosure relief and "make their homes safer, more accessible, more energy efficient, and more sustainable."[188] Finally, up to 10% of the Fund's appropriations may be allocated each year to the Complete Neighborhoods Infrastructure Grant program "to accelerate the build-out of the public realm infrastructure needed to support increased residential density in the City's neighborhoods."[189]

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181 "At risk, however," in the words of Mayor Edwin Lee, "is continued future progress in developing affordable housing, revitalizing blighted neighborhoods and generating the resources to fund urban infill development and infrastructure." Retrieved Sept. 24, 2012, from City and County of San Francisco as Successor to Redevelopment Agency website: http://www.sfredevelopment.org/Modules/ShowDocument.aspx?documentID=3580

182 According to Olson Lee, the Housing Trust Fund "more than doubles what redevelopment gave to affordable housing developers overthe past 20 years." Lee Interview, July 25, 2012.

183 Mayor Lee's Statement on Housing Trust Fund Approval for November Ballot (July 24, 2012). Retrieved Sept. 27, 2012, from City and County of San Francisco Office of the Mayor website: http://www.sfmayor.org/index.aspx?recordid=54&page=846. To achieve consensus, the housing trust fund also reduces inclusionary housing obligations for market rate developers by 20%. According to the Mayor's Office of Housing, growing the subsidy pie and expanding market-rate production are mutually supportive strategies. Increased market-rate production may relieve upward price pressures on the existing housing stock by providing more supply to address high housing demand. Reducing the affordability gap for some upper middle income residents would allow the City to focus subsidies on lower-income households. *Housing for San Francisco Residents* (2012). Presentation by Mayor's Office of Housing, et al.

184 See also the discussion immediately above on the "Low- and Moderate-Income Housing Gap" for more information.

185 Housing Trust Fund Charter Amendment, at http://sfgov2.org/ftp/uploadedfiles/elections/candidates/Nov2012/Nov2012_SanFranciscoHousingTrust-CharterAmend.pdf.

186 *Housing for San Francisco Residents* (2012). Presentation by Mayor's Office of Housing, et al.

187 *Housing for San Francisco Residents* (2012). Presentation by Mayor's Office of Housing, et al.

188 Housing Trust Fund, Sec. 16.110(d)(3)

189 Housing Trust Fund, Sec. 16.110(e).

California's decision to eliminate redevelopment comes as the latest blow to San Francisco's capacity to fund affordable housing. The City's ability to quickly develop an alternative funding stream after the demise of redevelopment demonstrates the organizational tenacity of affordable housing advocates. Particular points of leverage and funding sources come and go in California's tumultuous political climate, but a dedicated movement promoting housing justice has become a political force in its own right, providing optimism that this latest obstacle will also be overcome.

VI. Conclusion

It is evident that San Francisco will continue to need to be inventive and its housing advocates strong to meet the challenges ahead. Some advocates are already looking beyond the Trust Fund to the new frontier of housing policy. Building on development limitation and job-housing balance ideas from Proposition M and the phasing and linkage of different types of development demanded by the more equitable and inclusive recent redevelopment projects, they are formulating a plan to link approval of market-rate housing to meet the affordability goals set by ABAG described above. San Francisco continues to evolve its policy to fill in the gaps in its housing needs and find creative and substantial sources of funding to develop and maintain affordable housing. By also ensuring that the needs of local residents are heard, San Francisco is demonstrating that the early urban renewal and displacement days are gone and have been replaced with a vision of creating the housing, jobs and services required to maintain and rebuild vibrant, diverse and thriving communities within the City.

Afterword: Considerations for Other Communities

The interaction of dedicated community advocacy and strong coalitions, availability of substantial funding sources, and housing programs that are responsive to community needs and market changes have resulted in the successful evolution of affordable housing programs in San Francisco. While these factors generated the City's most influential programs, their presence does not guarantee a successful result. For example, in 1981, San Francisco adopted an Apartment Unit Conversion and Demolition Ordinance that prohibits the conversion of apartments to tourist or transient use.[190] The conversion from apartment to tourist or transient use, particularly of rent-controlled apartments, especially impacts low- to moderate-income households, displaces existing tenants, and decreases the already limited number of units available to serve these families. This ordinance resulted from the same development pressures and organized tenant movement that culminated in the Rent Stabilization, Condominium Conversion, and Residential Hotel Demolition and Conversion ordinances adopted in 1979 and 1980.[191] Unlike these ordinances, however, the apartment conversion ordinance has not been successful in meeting its purpose, which is to stop apartments from becoming corporate suites, timeshares, surrogate hotel units or other non permanent housing uses. The primary problem has been lack of enforcement. Because such conversions most often occur without any formal regulatory process, they are hard to identify and regulate. The ordinance itself relies on a complaint from a displaced permanent tenant of an unlawful conversion to initiate an investigation by the Department of Building Inspection. Investigation often entails visiting the property at night and other measures to prove conversion, requiring extra resources and staff that has not been provided. In the face of the revived dot.com boom this decade, however, the conversion of long term rentals to short term tourist and transient uses has again hit the forefront of tenant concerns in San Francisco,[192] prompting yet another look at the ordinance.[193]

Also, before implementing some of San Francisco's successes in other communities, it is important to recognize that housing programs are shaped by state and local laws, as well as market forces unique to each situation. For example, some states may prohibit rent control of privately-owned rental units. This means that, even if the necessary community, political and economic factors are in place, adopting a Rent Control and Stabilization Ordinance just

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190 San Francisco Administrative Code, Ch. 41A: Apartment Unit Conversion and Demolition, at http://www.amlegal.com/nxt/gateway.dll/California/planning/planningcode?f=templates$fn=default.htm$3.0$vid=amlegal:sanfrancisco_ca$sy.

191 See IV. Evolution of Housing Policy, 1970s: Neighborhood Preservation and Tenant Protection, supra, for more information.

192 Glantz, Aaron (July 21, 2011). Conversion of Apartments to Rentals for Tourists Is Surging. The Bay Citizen, at http://www.nytimes.com/2011/07/22/us/22bchomes.html?pagewanted=all&_r=0.

193 Legislation was introduced in April and under consideration in October 2012 by the Land Use Committee to improve enforcement capabilities of the ordinance. A key component gives nonprofit groups the same standing to enforce apartment conversions that they held since 1990 for SRO's. See Shaw, Randy (Oct. 1, 2012). *Moment of Truth for Illegal Apartment Conversions*, at http://www.beyondchron.org/articles/Moment_of_Truth_for_Illegal_Apartment_Conversions_10555.html.

like the one in San Francisco may not be a legal option. Further, San Francisco has typically been in a fortunate position of too much capital competing for too few development opportunities. San Francisco's market has, therefore, been able to support exactions and development restrictions that may not be economically feasible in other communities. Borrowing ideas from other states and communities can promote creativity in meeting local needs; however, each community must assess its own legal, political and market constraints to tailor its programs accordingly to achieve its housing goals.

Finally, the unique structure of redevelopment agencies in California, the regulatory structure of the SFRA in particular, and the substantial allocation of tax increment to fund affordable housing has resulted in planned redevelopment areas that would be difficult to achieve through other avenues (E.g., public-private partnerships, etc.). This is illustrated, for example, by the Mission Bay redevelopment area. The 1991 Mission Bay development plan was abandoned in 1996 by the private developer due to downturned market conditions. The project was revived, however, under a redevelopment plan through the SFRA in 1998, which could use tax increment financing to pay for the substantial infrastructure and affordable housing.[194] With the dissolution of redevelopment agencies in California, the comprehensiveness of past redevelopment plans, incorporating substantial affordable housing (often over 30% of units), community services and resources, infrastructure improvements, commercial development, parks and rehabilitation, will take some ingenuity to recreate in the future – a task that the government, local advocates, and others are already undertaking.[195]

194 See IV. Evolution of Housing Policy, 1990s: Inclusive Redevelopment, the Dot.Com Boom, and Housing Preservation, supra, for more information.

195 See, e.g., V. Future Challenges, supra, and the discussion regarding the proposed Housing Trust Fund.

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Appendix 1. Racial and Family Composition of San Francisco Residents and Households: Challenges Ahead

The population of San Francisco has been increasing since the 1980s an average of just under 0.6% per year. This increase has neither been consistent across all nationalities nor all household types, however.

San Francisco is often depicted as diverse, in large part because less than half of its population is of white origin and one-third is of Asian descent. Another 15% are of Hispanic origin, a population that has been increasing its presence in the City since the 1970s. Just over 6% are Black or African American, showing significant decline since the 1970s.

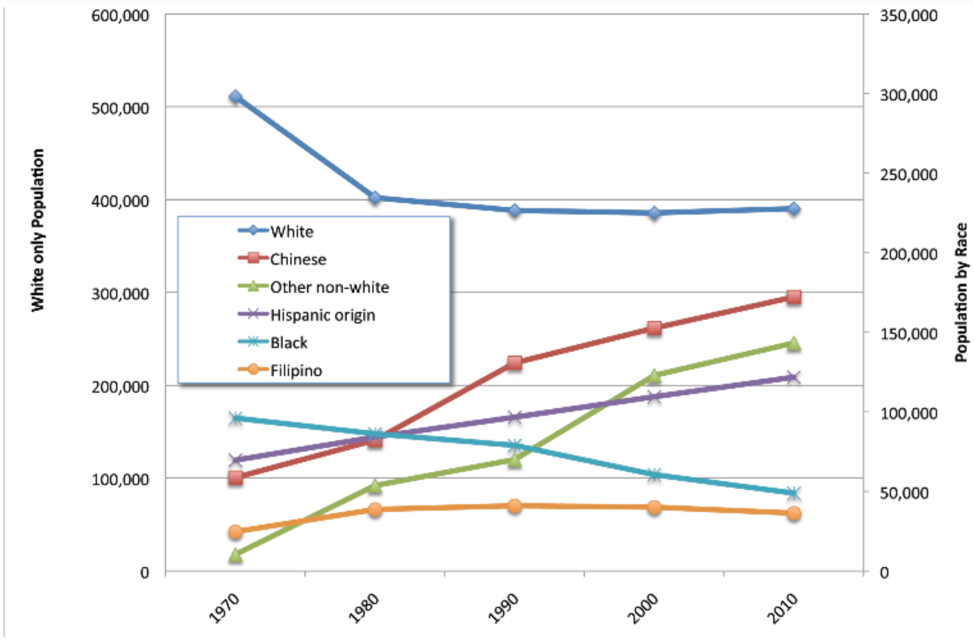
Evaluating the actual numerical change in the population shows that, after decreasing between 1970 and 1990, the white population has been showing modest growth. Residents who are Chinese, "other non-white" (one-third of which includes other Asian populations), or of Hispanic origin have shown the greatest increases, at a respective 66%, 93% and 43% since 1970. In significant decline, however, is the Black or African American population, dropping almost in half (97%) since its peak of about 96,000 persons in 1970.

Ethnic Composition of the Population: 1970 to 2010

	1970	1980	1990	2000*	2010*	% change (1970-2010)
White	71.4%	59.2%	53.6%	49.7%	48.5%	-30.9%
Black or African American	13.4%	12.7%	10.9%	7.8%	6.1%	-96.6%
Japanese	1.6%	1.8%	1.6%	1.5%	1.3%	-15.7%
American Indian	0.4%	0.5%	0.5%	0.4%	0.5%	27.9%
Filipino	3.5%	5.7%	5.7%	5.2%	4.5%	32.1%
Chinese	8.2%	12.1%	18.1%	19.6%	21.4%	65.9%
Other non-white	1.5%	7.9%	9.7%	15.8%	17.8%	92.7%
Total	71,674	678,974	723,959	776,733	805,235	11.1%
Hispanic Origin	9.7%	12.4%	13.3%	14.1%	15.1%	42.8%

Source: Decennial Census (1970-2010).
*NOTE: Race data between the 1990 and 2000 Census and later are not directly comparable. The 2000 Census asked respondents to report if they were of one race or a combination of races, which was not asked in 1990 or earlier. The above data for 2000 and 2010 reflects respondents who reported they were of one race only. Respondents that indicated they were white in combination with one or more races increased the representation of white persons to 50.6% in 1990 and 49.7 in 2010; those that reported they were Black or African American in combination with one or more races increased their representation to 8.3% in 1990 and 6.8% in 2010. The comparable percentage of these populations to 1990 likely falls within the range represented by these values.

Numeric Change in Population by Race:1970 - 2010



Source: Decennial Census (1970-2010).

The income of these respective populations shows the significant struggle of the Black or African American population to regain their foothold in San Francisco. Where the median income of all households in the City increased in actual dollars by 30% between 1999 and 2010, the income of Black or African American householders increased a significantly low 3.4%. In 1999 dollars, this means that the median income of these households actually decreased to just under $24,000.

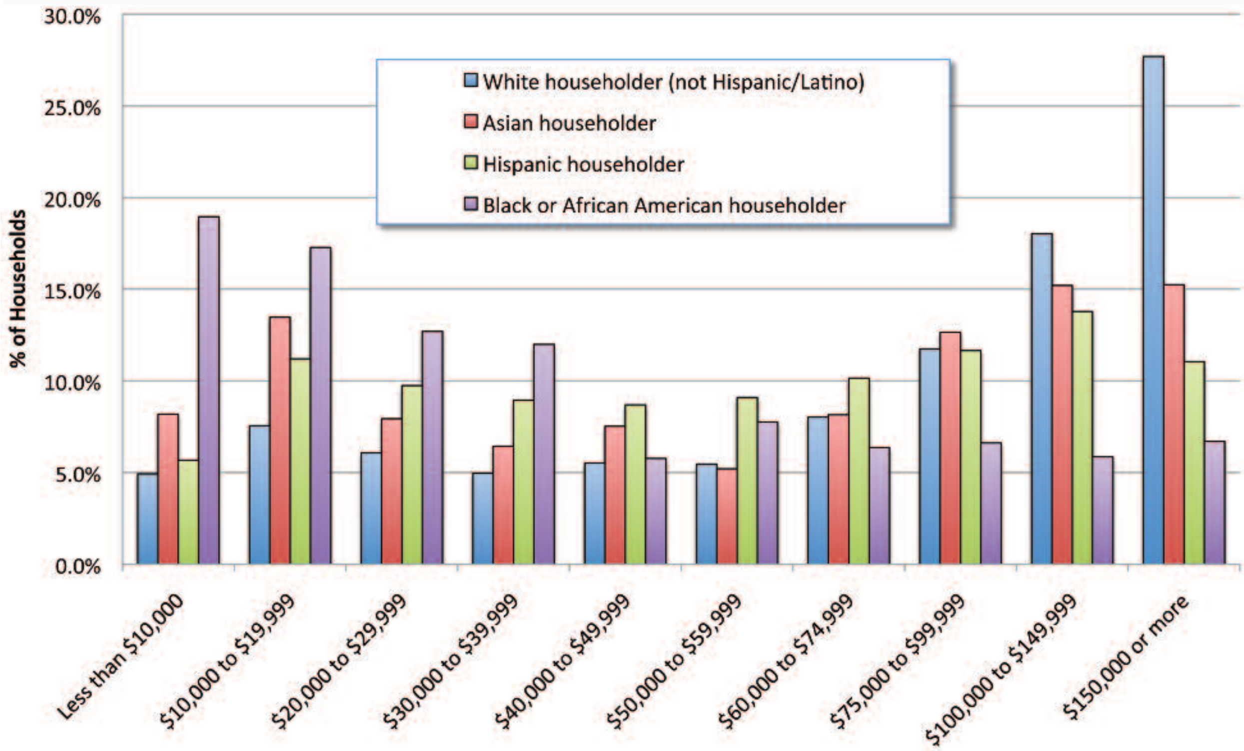
Further, the income profile of African American households is almost the inverse of White households, with 61% of African American households earning under $40,000 per year and 65% of White households earning over $50,000 per year.

Median Income of San Francisco Households: 1999 and 2010

	1999	2010	% change
All Households	$55,221	$71,779	30.0%
White householder (not Hispanic/Latino)	$65,431	$90,582	38.4%
Asian householder	$49,596	$61,644	24.3%
Hispanic householder	$46,553	$56,289	20.9%
Black or African American householder	$29,640	$30,661	3.4%

Source: 2000 Census; ACS 3-year estimates (2008-2010)

Income Distribution of Households by Race: 2010



Source: ACS 3-year estimates (2008-2010)

The change in households by type shows that the loss of moderate-income households and families is not unique to the Black or African American population during this time. The largest decline in family households occurred between 1970 and 1980. During this same period, the actual number of households increased (despite a decrease in population); however, family households declined by about 14% and households with their own children declined by almost 18%. The number of households with children continued to decrease each decade through 2000, showing a very modest (less

Change in Population and Households by Type: San Francisco, 1970 to 2010

	Number of Persons or Households					% Change			
	1970	1980	1990	2000	2010	1970-80	1980-90	1990-00	2000-10
Population	715,674	678,974	723,959	776,733	805,235	-5.1%	6.6%	7.3%	3.7%
Households	295,174	299,867	305,984	329,700	345,811	1.6%	2.0%	7.8%	4.9%
Family Households	164,436	141,590	143,818	145,186	151,029	-13.9%	1.6%	1.0%	4.0%
With children	69,670	57,288	56,831	54,707	55,212	-17.8%	-0.8%	-3.7%	0.9%

Source: US Census

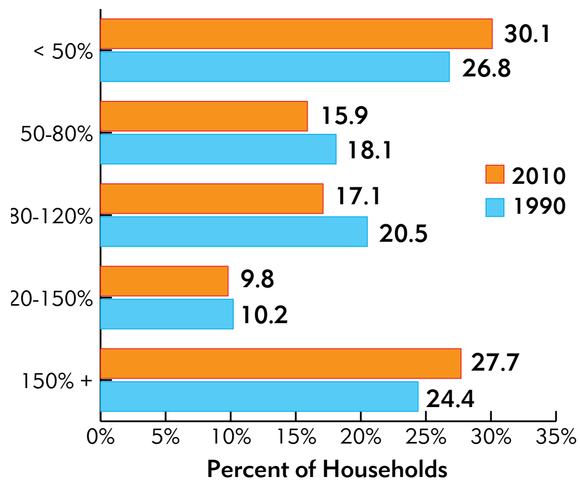
than 1%) increase over the past ten years. This is typical for areas in which housing available for moderate-income households and families is scarce, particularly ownership opportunities.[196]

An analysis of the change in households by area median income (AMI) between 1990 and 2010 also supports the conclusion that low- and moderate-income households (those earning between about 50% and 120% AMI),[197] have been leaving the city. The percentage of households earning within this range declined from 39% in 1990 to about 32% in 2010, with the numerical loss resulting in about 5,700 fewer middle-income households in San Francisco in 2010. In contrast, households earning below 50% AMI and those earning over 150% AMI each increased by about 22,000 households since 1990.

Housing costs have also increased as a percentage of total income for low, moderate and above moderate (120-150% AMI) households since 1990. On the other hand, low-income and upper-income housing costs as a percent of income show little change.

All of the above factors are symptoms of the findings of the 2009 Housing Element, showing that San Francisco fell significantly short of meeting its housing needs for low- and moderate-income households.[198] Despite this, family households and households with children showed modest growth since the year 2000, although less than the increase in households overall. The same cannot be said for Black or African American households.

Income Distribution of Households by AMI: San Francisco, 1990 and 2010[199]



The Mayor's Office of Housing commissioned a study, completed in 2009, to understand the reasons behind the decline in Black or African American households and, more importantly, changes that need to occur to provide opportunity for low-income African Americans, re-establish an African-American middle class in the City and rebuild this community as a strong presence in San Francisco. Findings indicated that, between 1990 and 2005, very low income households as a percentage of all African American households increased from 55% to 68%, respectively, and middle-income household dropped by 33%, with

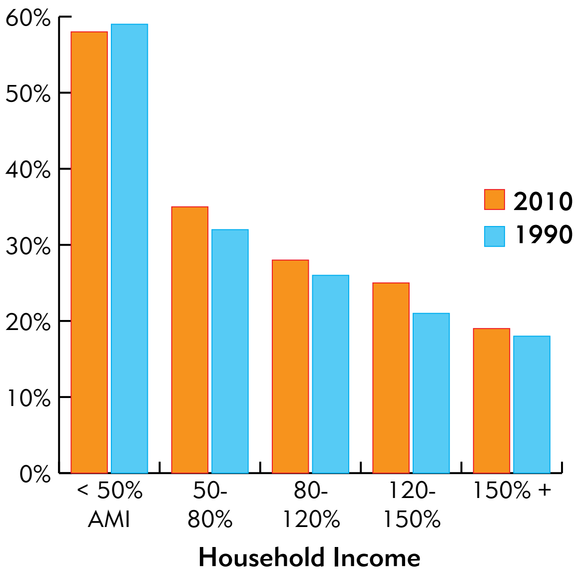
196 *See also* San Francisco Mayor's Office of Housing State of the Housing Market Study: Briefing Book, p. 25 (Apr. 2012) for more information.

197 In 2011, a 2-person household at 50% AMI earned $40,650 per year; a 2-person household at 120% AMI earned $97,550 per year. San Francisco Mayor's Office of Housing 2011 Income Limits.

198 See Table 3 in main report.

199 San Francisco Mayor's Office of Housing State of the Housing Market Study: Briefing Book, at 17 (Apr. 2012). Data source is San Francisco Mayor's Office of Housing, 1990 and 2000 Census/IPUMS, 2005-09 five year estimates/IPUMS, 2010 Census, Seifel Consulting Inc.

Average Housing Costs as % of Household Income: San Francisco, 1990 and 2010[200]



upper-income households declining 63%. This trend continued through at least 2010.[201]

The out-migration of Black or African American households has been about 40 years in the making, beginning with the urban renewal projects in the late 60's and early 70's. The demolition of neighborhoods in the Western Addition and Fillmore districts displaced the Black communities in these neighborhoods and caused a substantial in-migration of Black households to the Bayview Hunters Point area, disrupting the existing inter-racial mix of the neighborhood. About this time, San Francisco also lost many of its industrial jobs, including the Port of San Francisco and the Hunters Point Naval Shipyard, severely decreasing employment opportunities for African American workers.[202] Many workers followed jobs to the East Bay. As of 2000, the largest concentrations of the Black or African American population live in the Western Addition (33% African American), Bayview Hunters Point (45%) and, to the south, Visitacion Valley and Oceanview Merced Ingleside (about 19% each).[203] As noted above, as African American households move into the middle and upper income levels, they have been out-migrating to areas outside of the City. San Francisco is not alone in this movement, with Alameda, Marin, San Mateo and Santa Clara also losing higher income African American households to counties like Contra Costa and Solano. The more affordable housing costs, home purchase and job opportunities, lower crime and suburban lifestyle have been cited as pluses for those that have moved. While out-migration for those that choose to do so can be positive for those households, there is still a question as to how much of this shift is from household choice, or a result of the lack of housing, employment and community options for these households to remain in the city.[204]

Regardless of the ultimate reason for the out-migration, the current focus of the City is to re-attract a strong African American community. The 2009 study highlighted improving new housing options and current housing conditions, strengthening

200 San Francisco Mayor's Office of Housing State of the Housing Market Study: Briefing Book, p. 30. Data source: San Francisco Controller's Office.

201 ACS 3-year (2008-2010) data indicate an out-migration of African-American households earning over about $45,000 per year since 2000.

202 Bayview-Hunters Point: Urban Transformations and Community Cooptation, at 9-13.

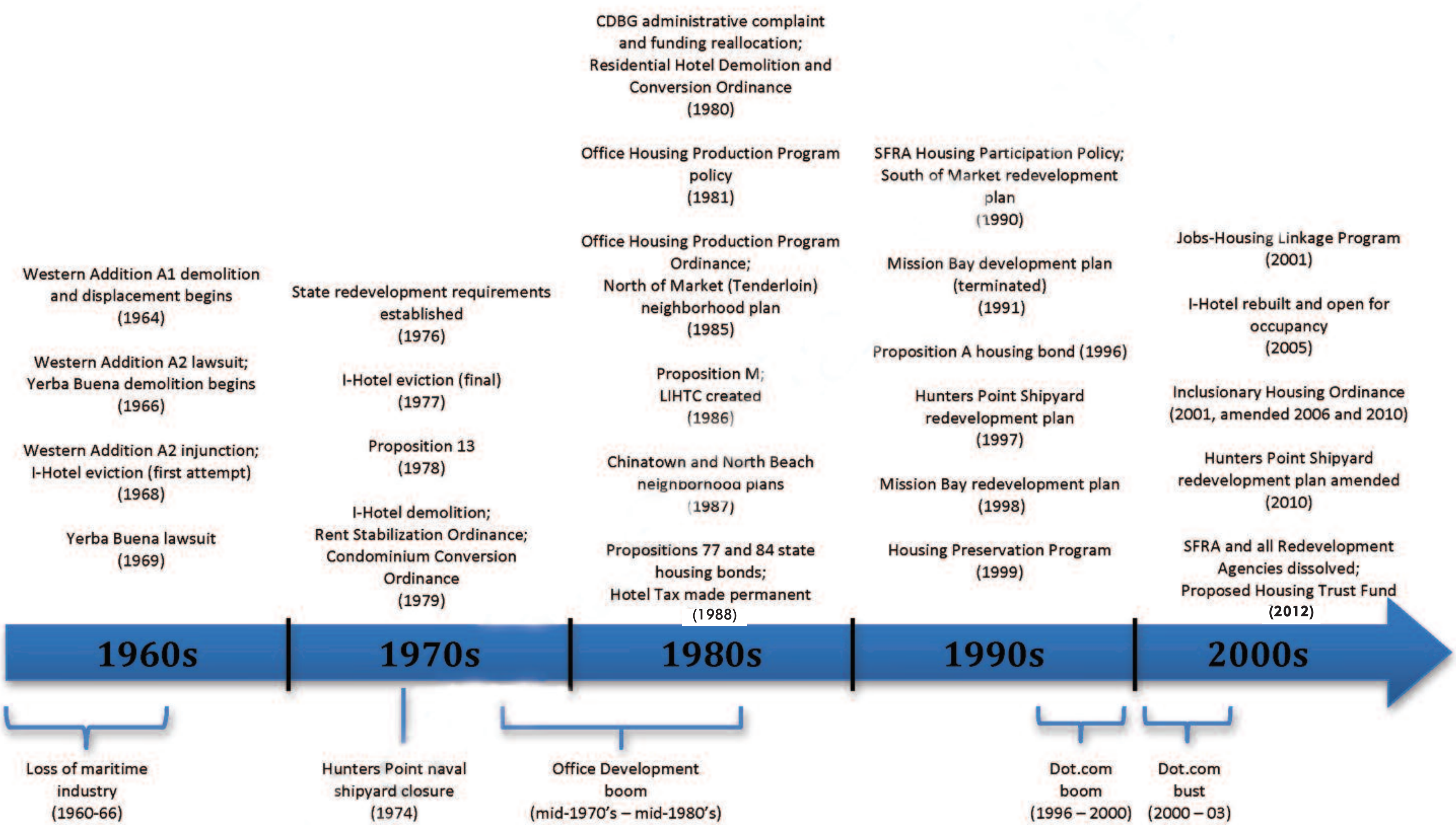
203 2010 Consolidated Plan, at 16.

204 Anastasia Hendrix, Up and Out / More black leaving inner cities for suburbs, SFGate (Apr. 17, 2001). Contra Costa and Solano counties continued to gain Black/African American residents between 2000 and 2010 and the counties of Alameda, Marin, San Mateo and Santa Clara continued to lose Black/African American residents. 2000 and 2010 Census.

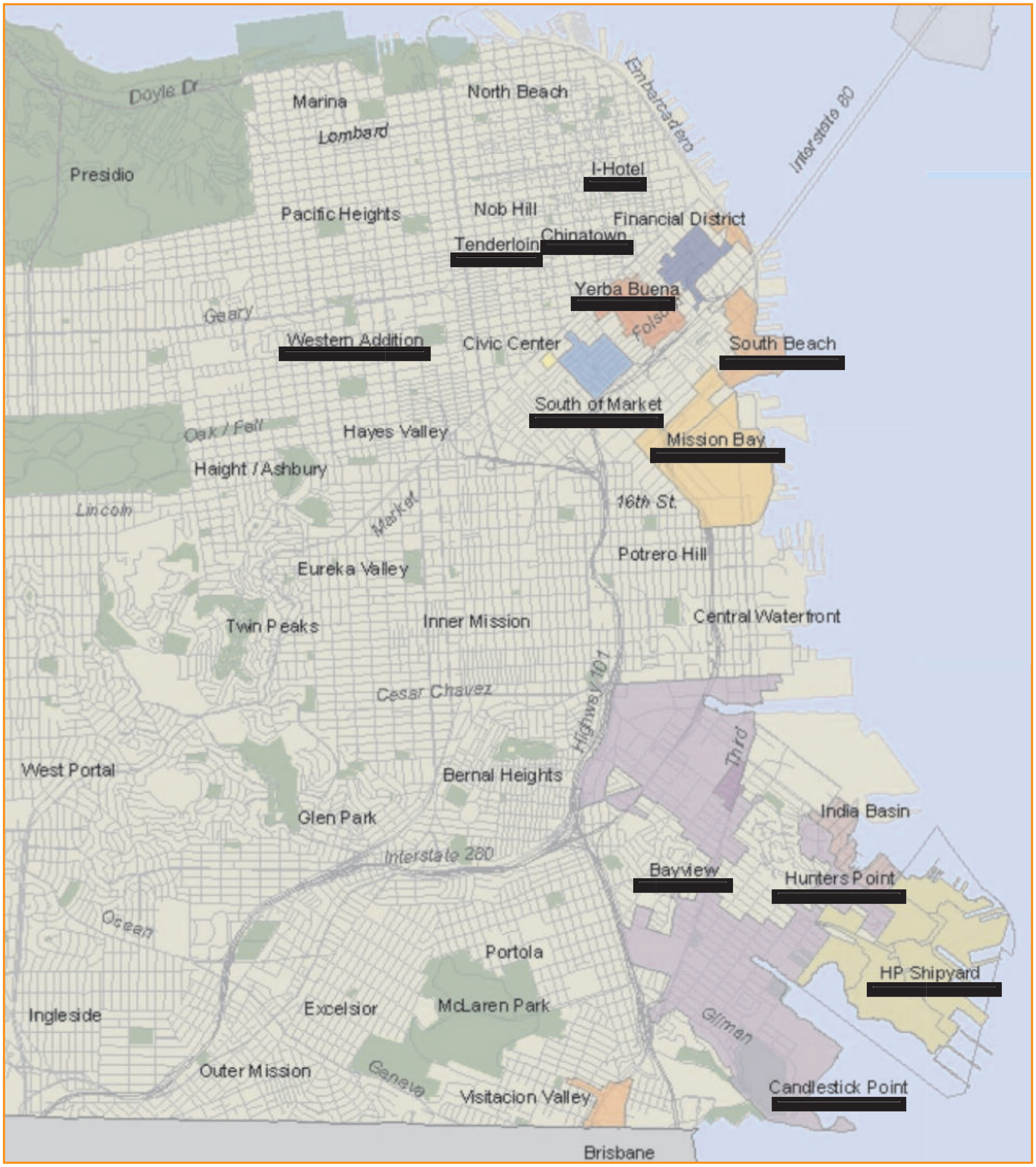
school infrastructure and access to educational programs, promoting African American business development and expanding employment opportunities, increasing cultural support and helping to develop a "sense of place" in the City, and stepping up safety and rehabilitation programs for the community. The City is working to incorporate these recommendations into the present redevelopment plan for the Hunters Point/Candlestick Point redevelopment project. The City also opened the Third Street light rail line in 2007, reconnecting these neighborhoods with the rest of the City and inducing residential and commercial development along the corridor. Plans for the districts include bringing at least 12,100 new residential units to Bayview Hunters Point, with about one-third being priced below market rate. About 3 million square feet of job-generating commercial space is also planned, along with programs for workforce development and local hiring.[205] Despite the best intentions, however, the City will need to work hard to overcome the stigma that many members of the community still cling to from the early urban renewal years of gentrification and displacement and to reverse economic and social forces causing families to leave San Francisco.

205 For more information see: http://www.sfredevelopment.org/index.aspx?page=53, retrieved from the SFRA's website on October 6, 2012.

Appendix 2. Evolution of San Francisco Housing Policy



Appendix 3. Map of San Francisco Neighborhoods and Project Areas



Source: Modified from San Francisco Redevelopment Agency (2009), Redevelopment Project Area Map, at http://www.sfredevelopment.org/index.aspx?page=3.

*Underlined names are project areas and neighborhoods discussed within the report

Appendix 4. List of San Francisco Housing Developments Highlighted

PAGE 16 MENDELSOHN HOUSE

Yerba Buena Gardens Redevelopment Project Area

Named for Peter Mendelsohn, Co-chair of TOOR and long-term merchant seaman and resident of the Yerba Buena neighborhood, Mendelsohn House is a 189 unit senior housing complex developed by TODCO as part of the settlement of the Yerba Buena litigation. Like the other senior housing developed by TODCO, Mendelsohn House offers an array of services and amenities. The award-winning building is adjacent to the Alice Street Gardens, a thriving community garden for all the residents of the Yerba Buena senior developments.

PAGE 27 MISSION CREEK SENIOR COMMUNITY PHOTO: ALAN KARCHMER

Mission Bay North Redevelopment Project Area

Part of the Mission Bay Redevelopment Project's ambitious affordable housing program, Mission Bay Senior Community is the result of collaboration among the San Francisco Redevelopment Agency, the San Francisco Department of Public Health, the San Francisco Public Library, and the developer, Mercy Housing California. consisting of 139 units of affordable senior housing, an Adult Day Health Center, ground floor retail space, and the newest branch of the San Francisco Public Library, Mission Creek is located along a tidal creek with walking trails and plentiful green space, yet near several forms of public transit and neighborhood amenities. The community serves very low income seniors, many of whom are at risk of homelessness or who have HIV/AIDS. Like many of San Francisco's affordable housing developments, Mission Creek has won numerous design awards.

PAGE 27 WESTBROOK PLAZA

South of Market Redevelopment Project Area

Westbrook Plaza is a collaboration between the South of Market Health Center and Mercy Housing California that includes a state-of-the-art medical and dental clinic and 49 units of affordable family housing. This development represents a first for San Francisco — co-located affordable housing and health care — and allows for the doubling of services by the clinic, the largest provider of health care in this low income neighborhood.

From Urban Renewal and Displacement to Economic Inclusion:

San Francisco Affordable Housing Policy 1978-2012

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