

## DRAFT

# ASSESSING THE IMPACT OF THE 2020 PROPOSITION I FOUR YEARS OF NEW REVENUE AND EXPANDING AFFORDABLE HOUSING INITIATIVES

A REPORT BY THE HOUSING STABILITY FUND OVERSIGHT BOARD

## THE CONTEXT FOR THIS REPORT

In November 2020, San Francisco voters overwhelmingly approved Proposition I, increasing the tax on the sale of high valued real estate. Despite a well funded opposition to the measure, the proponents of the measure prevailed with broad grassroots support and an explicit commitment that the new revenue would prioritize funding “for emergency rent relief and permanent affordable housing.”<sup>1</sup>

Also in 2020, in order to implement that stated purpose, the Board of Supervisors unanimously supported the creation of the Housing Stability Fund for the “acquisition, creation, and operation of affordable Social Housing.” This oversight board was established to provide recommendations for expenditures and provide oversight over the funds. This report is prepared in accordance with the oversight responsibilities set forth in that ordinance.<sup>2</sup>

## BIG PICTURE RESULTS OF PROPOSITION I AND THE HOUSING STABILITY FUND

Proposition I established a progressive tax that increased the real estate transfer tax on the sale of properties valued at over \$10 million. **Between January 1, 2021 and March 31, 2024, Proposition I generated \$324 million in additional revenue for the City.** While the transfer tax revenue fluctuates from year-to-year with the real estate market, over the long term Proposition I is projected to continue to be a substantial source of revenue. Over the next two fiscal years the Controller’s Office projects Proposition I will yield an additional \$127 million for the City.<sup>3</sup>

Revenue generated by Proposition I is not directly set aside either for affordable housing or rent relief but instead flows into the General Fund. In order to advance the originally stated purposes of the measure, the Board of Supervisors approved expenditures from the General Fund to launch the City’s COVID rent relief program and support the Housing Preservation Program. The Board of Supervisors has also approved financing of housing developments and upgrades within the parameters of Proposition I revenue.<sup>4</sup>

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<sup>1</sup> November 2020 Voter’s Handbook, Proponents’ Argument in Favor of Proposition I, p. 110.

<sup>2</sup> Ordinance No. 201183

<sup>3</sup> See, Appendix I

<sup>4</sup> The City periodically utilizes a financing instrument (known as a ‘Certificate of Participation’) to pay for public capital projects. [Ordinance 171-22](#), authored by Supervisor Dean Preston with support from the Mayor’s Office of

The Housing Stability Fund Oversight Board's role has been to gather public input and analysis to develop recommendations on uses for Proposition I revenue.<sup>5</sup> Through the combined actions of the Board of Supervisors, this oversight board's recommendations, and efforts of city staff, **the additional financial capacity provided by Proposition I resulted in the release of more than \$203 million to advance new affordable housing initiatives and provide emergency rent relief to thousands of San Franciscans.**<sup>6</sup> We provide additional details below.

#### A. FUNDING SAN FRANCISCO'S EMERGENCY RENTAL ASSISTANCE PROGRAM

Revenue generated by Proposition I played an essential part in launching and sustaining San Francisco's COVID response and rental assistance program.

In Spring 2021, the pandemic was still uncontrolled and ten of thousands of tenants were out of work and behind with their rent. While state and local eviction moratoriums were in place, the protections were incomplete and temporary. Responding to the urgent need for assistance, the Board of Supervisors took the initiative to commit \$42 million in revenue from Proposition I to support the creation of a local rent rental assistance program. As reflected in a recent report by the Office of the Budget and Legislative Analyst, the program successfully assisted more than 10,000 households pay for back rent and in some cases assistance in finding alternative housing.

#### B. ACQUIRING LAND AT FIVE SITES TO BUILD FOR MORE THAN 550 UNITS OF NEW AFFORDABLE HOUSING

In March 2022, the Housing Stability Fund board recommended that the City create a fund to acquire land to build more affordable housing. In our recommendations we noted: "San Francisco is one of the most urbanized and developed counties in the country. Vacant and undeveloped land is scarce. Without the acquisition of additional land for affordable housing it would be practically impossible to advance proposals for new co-op ownership developments, teacher and workforce housing, senior housing, or municipal housing."

Based upon this board's recommendation, the Board of Supervisors and the Mayor's Office approved financing for the creation of a \$40 million pool of funding for acquiring sites for the new construction of affordable housing.

Following what we understand is the City's first citywide call for proposals to acquire land for affordable housing, five sites across the City were awarded funding for

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Housing and Community Development (MOHCD), expanded the use of this tool to fund a number of the previously unfunded or underfunded needs identified in the oversight board's recommendations.

<sup>5</sup> See, [Housing Stability Fund Oversight Board Recommendations](#).

<sup>6</sup> For general breakdown of funding see Appendix II

acquisition. It is estimated that the five projects together will provide more than 550 new units of affordable housing.<sup>7</sup>

The sites approved for funding are located at:

- 1234 Great Highway (District 4)
- 650 Divisadero (District 5)
- 250 Laguna Honda (District 7)
- 330 Mission Street (District 9)
- 259 Pennsylvania (District 10)

#### D. FUNDING THE CONSTRUCTION OF AFFORDABLE EDUCATOR HOUSING

As this board noted in its budget recommendations in 2022, “Insufficiently funded and overly prescriptive federal and state affordable housing programs create special challenges to develop new affordable housing or to improve existing housing for many San Franciscans.”



2205 Mission - Casa Adelante Educator Housing

Specifically, this board heard and considered public comment and analyses establishing the both need for housing for essential workers including teachers and the inadequacy of existing funding sources. Thus in 2022 we recommended that \$12 million be provided to support the construction of educator housing. That recommendation was

subsequently incorporated into a call for proposals for the development of educator housing issued by MOHCD. In July 2023, after a competitive process, MOHCD awarded \$12 million to a projected 66-unit affordable ownership development for educators located at 2205 Mission.<sup>8</sup>

#### E. SUPPORTING THE PURCHASE AND PRESERVATION OF MORE THAN \_\_\_\_ UNITS OF AT-RISK RENT CONTROLLED APARTMENTS AND RESIDENTIAL HOTELS.

<sup>7</sup> MOHCD, [San Francisco Announces Acquisition of Five Sites That Will Deliver More Than 550 New Affordable Homes](#)

<sup>8</sup> MOHCD, [San Francisco Announces Two New Affordable Educator Housing Projects](#)

Despite a generally strong tenant protections in San Francisco, over the past two decades speculators and corporate investors have displaced thousands of tenants using the Ellis Act and other no-fault evictions. More tenants have been pressured to give up their homes under threat of evictions.<sup>9</sup>

The Small Site Program (now known as the Housing Preservation Program) was established in 2014 to prevent such displacements and to preserve the City's affordable rent controlled housing supply. The program provides funding for nonprofit housing organizations and land trusts to buy and maintain the affordability of housing where long term tenants are put at risk of displacement. But the program has been chronically underfunded, leaving tenants in buildings facing evictions and predatory practices without the benefit of the program.

In March 2021, following the approval of Proposition I, the Board of Supervisors approved a \$10 million allocation of funds to the Housing Preservation Program. And then in October 2021, the response to calls for action by at-risk tenants and housing advocates adopted a resolution in support of providing additional funding. Subsequently the Board of Supervisors allocated \$64 million for the acquisition and rehab of at risk rent controlled housing – the program's largest single appropriation.<sup>10</sup>

Since then Housing Preservation Program has supported the nonprofit acquisition and preservation of over \_\_\_[?] buildings including a total of over \_\_\_[?] units of housing. The result of those acquisitions is that all the housing is removed from the speculative market and the tenants are permanently protected against non fault evictions. A list of those acquisitions is provided as Appendix III.

[NOTE: we are waiting for MOHCD staff to provide a complete list of the sites acquired since 2021 – staff's report in 2023 reported 10 sites acquired in FY2021-22. In May 2024 staff reported 14 sites acquired in FY2022-23]

## F. UPGRADING CONDITIONS IN PUBLIC HOUSING, CO-OP HOUSING, AND CITY SUPPORTED RESIDENTIAL HOTELS.

Since our formation the Oversight Board received public comments and reports of concerning conditions in public housing, the need for capital upgrades in aging co-ops, and elevators in residential hotels.

Based upon these comments and reports the Oversight Board recommended in 2022 that Proposition I revenue be allocated to address these critical needs. These

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<sup>9</sup> See, San Francisco Rent Board, [Annual Statistical Report FY2022](#), pp. 29, 36. For a graphic map see also, <https://antievictionmap.com/sf-evictions>.

<sup>10</sup> For a media account of the budget appropriation see:

<https://nextcity.org/urbanist-news/housing-in-brief-64-million-vote-for-social-housing-passes-in-san-francisco>

recommendations were subsequently included in the Certificate of Participation funding adopted by the Board of Supervisors. Thereafter a NOFA was issued to provide \$20 million in funding for capital improvements and repairs in public and/or co-op housing. More recently at \$10 million NOFA was issues to provide funding for the renovation of elevators in residential hotels operated a permanent supportive housing.

**G. PROVIDING OPERATING SUBSIDIES TO ASSURE EXTREMELY LOW-INCOME SENIORS AND PEOPLE WITH DISABILITIES HAVE ACCESS TO AFFORDABLE HOUSING**

Following review of findings by the Disabled Adult and Aging Department and compelling testimony by seniors and other community members the board found that, “a majority of San Francisco’s senior tenants and people with disabilities have incomes below 50% AMI, disqualifying them from most of the affordable housing units in MOHCD’s pipeline. Equitable access for seniors and people with disabilities should be a principle of social housing.” Based upon that finding each year this board has recommended the City commit operating subsidies for Extremely Low Income households. In FY2022-23 the Mayor’s budget made a one time allocation of \$4 million for rent subsidies for extremely low income seniors but has not added to that funding in subsequent years. Nor has eligibility for the program been expanded to include people with disabilities.

**H. SUPPORTING THE DEVELOPMENT OF NEW MODELS FOR THE DEVELOPMENT OF INCLUSIVE SOCIAL HOUSING**

The HSF recommendations led to a total of \$1.7 million allocated to support the development of innovative housing models. The 2022 BOS Budget Add Back included \$300,000 for a Municipal Housing Feasibility Study to be conducted by LAFCO, \$500,000 for Outreach, technical support, and capacity building for limited- equity and HUD subsidized co- op boards and residents, \$500,000 for Public housing outreach, resident council capacity building, and \$400,000 for Increased COPA capacity and to scale the land trust and co-op model in SF.

**APPENDIX I**

**REVENUE FROM PROPOSITION I**

FY2020-2021 (last 6 months)	\$62.8
FY2021-2022	\$178.1
FY2022-2023	\$47

FY2023-2024 (first 9 months)	\$36.2
FY2024-2025 (projected)	\$57.1
FY2025-2026 (projected)	\$71.3

APPENDIX II

Approved Funding Based Upon Proposition I Revenue and/or Housing Stability Fund Board Recommendations (in chronological order)		
Description	Amount appropriated	Legislation
Initial funding for funding emergency rent relief and social housing	\$10.05M for rent COVID rent relief and \$10.05M for the Housing Preservation Program	2021 BOS Budget Supplemental
Establishment of local COVID rent relief program for tenants at risk of displacement	\$32,000,000	2021 BOS Budget Ad Back
Funding for acquisition and rehab of at risk rent controlled housing through the Housing Preservation Program	\$64,000,000	2021 BOS Budget Supplemental
Expanding housing opportunities Extremely Low Income seniors	\$4,000,000	2022 Mayor's Budget
Funding for land acquisition for new affordable housing development	\$40,000,000	2022 Certificate of Participation Ordinance
Public housing and co-op upgrades and repairs	\$20,000,000	2022 Certificate of Participation Ordinance
For construction for affordable housing for educators	\$12,000,000	2022 Certificate of Participation Ordinance
Elevator upgrades in Affordable Residential Hotels	\$10,000,000	2022 Certificate of Participation Ordinance

Municipal Housing Feasibility Study – LAFCO	\$300,000	2022 BOS Budget Add Back
Outreach, technical support, capacity building for limited- equity and HUD subsidized co- op boards and residents	\$500,000	2022 BOS Budget Add Back
Public housing outreach, resident council capacity building,	\$500,000	2022 BOS Budget Add Back
Increase COPA capacity and to scale the land trust and co-op model in SF.	\$400,000	2022 BOS Budget Add Back
TOTAL	\$203,800,000	

APPENDIX III

HOUSING PRESERVATION PROJECTS

SUPPORTED BY PROPOSITION I GENERATED FUNDS

Address	Number of residential units	Number of commercial units	Actual or estimated City financing closing date
TBD			
1130 Filbert	4		9/15/23
3975 24th Street	5		1/24/24
1005 Powell	64	3	6/15/24
300 Ocean Ave	11		2/29/24
2425 Post (CLMH)	3		3/1/24
2901 16th Street	63	8	6/15/24
2198 Cayuga	3	1	5/30/24

Total units			