

LEGISLATIVE DIGEST

[San Francisco Affordable Housing Fund and Public Accountability]

A proposal to amend the Charter of the City and County of San Francisco on November 4, 2008 by adding Section 16.127 to establish a baseline appropriation and set aside the equivalent of the available annual tax of two and one-half cents (\$0.025) on each one hundred dollars (\$100) of assessed property tax valuation for the next fifteen (15) years to support affordable housing programs; require the Mayor’s Office of Housing, in cooperation with Department of Public Health and Department of Human Services, to prepare an affordable housing plan every three (3) years and an annual affordable housing budget; affirm City policy urging the Redevelopment Agency to use at least fifty percent (50%) of its tax increment funds for low and moderate income housing; and set an expiration date of July 1, 2024.

Existing Law

Division 1 of the California Revenue & Taxation Code imposes the property tax and allocates tax revenues to cities, counties and special districts. The City's discretionary property tax proceeds are deposited in the General Fund and are available to the Mayor and the Board of Supervisors for appropriation to any City purpose, subject to the budget and fiscal provisions of the City Charter.

The Charter requires the City to set aside amounts from the annual property tax levy for specified purposes. The set aside amounts, permitted uses of the funds, and durations of the set asides are:

Charter section	Fund name	Set aside is amount equal to tax of ___ cents on each one hundred dollars (\$100) of assessed value	Allowable expenditures	Duration of set aside
16.107	Park, Recreation and Open Space	Two and one-half cents (\$0.025)	Enhanced park and recreational services and facilities	Through FY 2029-30
16.108	Children's Fund	Three cents (\$0.03), subject to increase after 2010 census	Expanded services for children	Through FY 2015-16

16.109	Library Preservation Fund	Two and one-half cents (\$0.025)	Library services and materials and operation of library facilities	Through FY 2022-23
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No City law currently mandates any annual set aside from the property tax levy for affordable housing programs.

Amendments to Current Law

This Charter Amendment would require the City to set aside from the available annual property tax levy an amount equal to taxes of two and one-half cents (\$0.025) on each one hundred dollars (\$100) of assessed valuation. The Charter Amendment would allow the City to spend the set aside funds to:

1. Support the predevelopment, acquisition (including land acquisition), construction, maintenance, and rehabilitation of housing that is affordable to households that earn not more than eighty percent (80%) of San Francisco median income, and that will remain affordable to these households for at least ninety-nine (99) years or the life of the building (examples of permitted uses include properties with twenty (20) or fewer units, units for families with dependents, units for households that include persons who are senior, disabled, or HIV positive or living with AIDS, and units for persons who were recently homeless or are at risk of becoming homeless, including transitional age youth leaving systems of care such as the foster care and juvenile justice systems);
2. Provide tenant counseling, legal services, eviction prevention services, and rent subsidies (such as operating subsidies for non-profits and/or assistance to prevent eviction);
3. Promote home ownership programs such as first-time homebuyer assistance for households that earn not more than eighty percent (80%) of San Francisco median income and limited equity partnerships and community land trusts that give existing tenants the opportunity to purchase a unit or rent from the cooperative under a lifetime lease at existing rent, adjusted by an amount not to exceed allowable increases under the City's Rent Stabilization Ordinance; and
4. Repair conditions that endanger residents' health and safety at San Francisco Housing Authority properties, provided that at least ten percent (10%) of the residents file a petition to request those repairs after they have consulted with the Department of Building Inspection and the Department of Public Health.

Housing is "affordable" if the monthly rent does not exceed thirty percent (30%) of household monthly gross income or total ownership costs (mortgage, taxes, association fees) do not exceed the underwriting guidelines established by the Mayor's Office of Housing or its successor ("MOH").

The Charter Amendment would also set these priorities and limits for the City's use of the set aside funds (but not the Baseline funds):

Requirement or limit	Uses of funds
At least fifty percent (50%) of all new units built	Development/acquisition (see definition of this term below) of two (2) or more bedroom housing units
Forty percent (40%) of all new units built	Development/acquisition of housing units affordable to a household earning thirty percent (30%) of San Francisco median income or less
Sixty percent (60%) of all new units built	Development/acquisition of housing units affordable to a household earning eighty percent (80%) of San Francisco median income or less
At least seventy-five percent (75%) of eligible expenditures	Development/acquisition of housing units (this use excludes legal services, eviction prevention services, rent subsidies, and repair of Housing Authority properties)
<u>All</u> newly-constructed units	Constructed consistently with the principles of "Universal Design", meet all current legal requirements for access by persons with disabilities, and at a minimum, meet the access standard "adaptable" (multi-story buildings without elevators and live/work lofts do not meet these requirements)
No funds/prohibited expenditures	Units affordable only to households earning more than eighty percent (80%) of San Francisco median income or construction of new public housing under the jurisdiction of the San Francisco Housing Authority except to increase the affordability and/or number of affordable rental or homeownership units in addition to the 1 for 1 replacement public housing units on Housing Authority sites

"Development/acquisition" includes predevelopment, acquisition (including land acquisition), construction, maintenance, and rehabilitation of housing units.

Under the Charter Amendment, the City would set aside funds for a fifteen (15) year period, beginning with the 2009-10 fiscal year, and ending with the 2023-24 fiscal year unless reauthorized by the voters. The City intends the set aside to increase current City spending on affordable housing. To ensure that result, the Charter Amendment would prevent the City from reducing funding for affordable housing from sources *other than the set aside* below the

amount appropriated in fiscal year 2006-07. This funding "Baseline" includes expenditures of the types described in numbered paragraphs 1-4, above, and, in addition, expenditures for shelters, drop-in centers, emergency housing (such as domestic violence centers), transitional housing, and assistance to first-time homebuyers who are part of households earning no more than 100% of SFMI. The Controller would adjust the Baseline in each fiscal year after 2006-07 by the percentage increase or decrease in discretionary City revenues that the Mayor or Board may use for any lawful City purpose. The City's expenditures of the Baseline amounts are not subject to the spending exclusions, priorities, and limitations described in the chart above. The City may not spend any of the Baseline amounts on construction of new housing under the jurisdiction of the San Francisco Housing Authority.

The baseline and the revenues considered to adjust the baseline shall not include funds granted to the City by private agencies or appropriated by other public agencies, expenditures mandated by state or federal law, appropriations to or expenditures of the San Francisco Redevelopment Agency or the San Francisco Housing Authority, or amounts set aside under the Amendment.

The Charter Amendment would require MOH to calculate the San Francisco median income using data from the United States Department of Housing and Urban Development ("HUD") and adjusted for household size or, if data from HUD are unavailable, using other comparable, publicly available and credible data. MOH would also develop guidelines to require a minimum household size for affordable housing with a certain number of bedrooms or square feet.

The Charter Amendment would establish budgeting and planning procedures for both the set-aside funds and the Baseline amount. No later than January 30, 2009, and then no later than every third year, the MOH, in cooperation with the Department of Public Health and the Department of Human Services, would prepare a plan that assesses needs and identifies affordable housing priorities. Each year, MOH would update the plan and prepare a budget for the expenditure of the funds consistently with the affordable housing plan. MOH would provide the public with an opportunity to comment on the proposed plans and budgets at noticed, public hearings. MOH would also develop rules and procedures to apply for eligible expenditures. The Board of Supervisors would approve the rules and procedures, plans, updates and annual budget, could amend an affordable housing plan or budget by resolution at any time, and could adopt procedural rules and regulations.

The Charter Amendment also reaffirms the policy that the Board of Supervisors previously stated in Resolution No. 427-05, urging the Redevelopment Agency of the City and County of San Francisco to establish a housing policy setting a clear intent to use over fifty percent (50%) of total tax increment funds allocated each year from all the redevelopment project areas for the provision of low and moderate income housing and to include a statement of such policy intent in all future redevelopment plans submitted to the Board of Supervisors for its approval.

Under Charter Section 9.113.5(b), the "Rainy Day Reserve," if the Controller projects that revenues for an upcoming budget year will exceed the current year's revenues by more than

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five percent (5%), the City must allocate the anticipated excess revenues in a certain manner. For purposes of this calculation, the Controller will exclude property tax set-aside funding under this new Section for purposes of calculating Rainy Day requirements.