HOUSING FOR
SAN FRANCISCO RESIDENTS

Presentation By:
MAYOR’S OFFICE OF HOUSING
CONTROLLER’S OFFICE
OFFICE OF ECONOMIC & WORKFORCE DEVELOPMENT

CITY AND COUNTY OF
SAN FRANCISCO
MAYOR EDWIN M. LEE
Opening Remarks

Olson Lee,
Mayor’s Office of Housing

John Rahaim,
Planning Department
HOUSING AND THE ECONOMY

Ted Egan
Controller’s Office

Michael Yarne
OEWD
SF Shares Economic Advantages With the Rest of the Bay Area, but Job Growth Here Has Been Much Slower for Many Years
One Reason is Wages: Adjusted for Industry, San Francisco's Average Wages are Higher than Much of the Bay Area.

Relative Wages in the Bay Area as a % of San Francisco, 2010:

- East Bay: 81%
- North Bay: 63%
- San Francisco: 100%
- South Bay: 106%
And One Reason Wages are Higher in San Francisco is that Housing is Now More Expensive Here Than Any Other Bay Area County
After the Housing Market Crash, Housing has Become More Affordable in Other Parts of the Bay Area

“Maximum Affordable House” is what a 100% AMI household could afford; the line shows maximum affordable house as % of the average price. It assumes 10% down, 90% mortgage financing at average mortgage rate for that year, with 33% of household income used for mortgage payments. Source for housing prices for 3-bedroom units: Zillow.
Middle Income Groups (Low, Moderate, Above Moderate) Have Rising Housing Burdens

Average Housing Costs as a % of Household Income, San Francisco Household Income Groups, 1990 & 2010
Housing Prices and Job Opportunities Have Demographic Implications on the City's Population

San Francisco Population by Household Income Category, 1990 & 2010

- Upper
- Middle
- Moderate
- Low
- Extremely/Very Low
The Extremely / Very Low Income is Growing, Particularly the Working Population, Despite Very High Housing Burdens

Extremely / Very Low Income Population, Components of Change, 1990 - 2010

- US-born working adults
- Immigrant working adults
- Unemployed/Out of Labor Force Adults
- Seniors
- Children
Subsidies and New Housing Development Are Alternative Means of Making Housing More Affordable, but Each Has Limitations

- A 4-person household at 80% of AMI has about $80,000 in income. Given today's mortgage rates, such a household could afford to buy a house costing $488,000.
- Based on a review of the MLS listings in the Fall of 2011, the household would have been able to afford 14% of the houses on the market.
- Down-payment assistance of $75,000 would help the household be able to afford 25% of the 3-bedroom homes on the market. However, there are 56,000 low-income households in San Francisco. Giving each of them a similar $75,000 subsidy would cost $4.2 billion. It would also have the effect of inflating housing prices somewhat, limiting the effectiveness of the subsidy.
- The City could also increase the number of affordable units by subsidizing the construction of permanently-affordable units, but the per-household cost would be significantly higher.
- Alternatively, increasing the supply of market rate housing in the city would put downward pressure on all housing units. Based on the past relationship between housing supply and price, the addition of 100,000 new housing units would reduce housing prices for a low-income household to a similar extent as a $75,000 down-payment subsidy, i.e. 25% of the market would become affordable. Of course, this would occur without housing subsidy.
- However, 100,000 new housing units represents all the net new housing the city has constructed since the 1920s, before it was fully built-out. Such a level of new construction would not occur without a significant change in the regulatory framework.
High Housing Costs: Implications for Job Growth

- Raises salary/wage costs for all employers.
- Disincentive to hire, especially for low- and middle-income workers.
- Competitive disadvantage for the City.
- BUT, SF’s “job-shed” is much larger than the City boundaries—this is a regional problem.
- High-efficiency, low-cost regional & citywide transit access to SF job centers has served as a key substitute.
Long-Term Structural Problems

- Decades of under-supply exacerbates the “affordability gap” problem
- Creates need for ever-expanding subsidies to address an ever-expanding range of incomes.
Middle Income Housing: Policy Options

• Not an “either/or” or “us vs. them” approach
• Growing the subsidy pie & expanding market-rate production are mutually supportive strategies.
• Consistent higher annual production will slow & reduce affordability gap for some middle income residents.
• Allow City to focus subsidies on those incomes levels that can’t afford market-rate products.
Middle Income Housing: Policy Options

- Lower regulatory barriers to producing all housing (subsidized & market-rate)
- Decrease uncertainty & length of entitlement process.
- Carefully examine the cumulative financial burden of impact fees on housing production.
- Continue to capture a portion of the net economic benefit generated by market-rate growth to subsidize below-market units.
- Build regional partnerships & strategies to address regional supply.
AGENDA

Context
  • Who are “middle” income residents?

State of the Housing Market Study Findings
  • The housing market and city housing

Conclusions
  • Identification of housing needs

Policy Discussion
  • How to better serve residents of all income levels
• VERY LOW INCOME HOUSEHOLDS (0-50% AMI)
  – Rental apartments out of reach
  – Target for deed-restricted rental

• LOW INCOME HOUSEHOLDS (50-80% AMI)
  – Smaller rental affordability gaps
  – Fewer deed-restricted units

• MODERATE INCOME HOUSEHOLDS (80-120% AMI)
  – For-sale homes out of reach
  – The focus for affordable ownership programs

• ABOVE MODERATE INCOME HOUSEHOLDS (120-150% AMI)
  – Relatively well served by rental market
  – Smaller ownership affordability gap
SETTING THE CONTEXT
Definitions

Household

All of the people who occupy a housing unit as their usual place of residence

- Not all households are families
- A household may be unrelated people or one person living alone

AMI

Area = A particular geographical area, e.g., San Francisco
Median = Middle point – half of the population is below and the other half above
Income = Total income from all persons in a household

- AMI categories differ by household size
Definitions

Very Low & Low Income

Very Low Income (0-50% AMI)
• Single mother of 1 child making $35,000 working full time as an office clerk.

Low Income (50-80% AMI)
• A young couple- he works full time, making $45,000 as a construction laborer and she works part time as a waitress while going to school, bringing an additional $10,000.
Definitions

Moderate Income

Moderate Income (80-120% AMI)
• A single man working as designer, making $67,000.

Moderate Income (80-120% AMI)
• Flatmates in a 2 bedroom- he works as an administrative assistant, making $50,000 and he manages a local retail store, making $42,000.
Definitions

Above Moderate Income

Above Moderate Income (120-150% AMI)
• A married couple with 2 children: she’s a college professor who makes $85,000 and she’s an architect who makes $65,000.

Above Moderate Income (120-150% AMI)
• A single woman working as a software engineer making $100,000.
Definitions

Upper Income

Upper Income (150% AMI +)
- A married couple without children - she’s a police officer making $75,000 and he’s a registered nurse, making $100,000
# Income Limits

**Office Clerk & Daughter**  
$35K

**Construction Worker & Part-Time Waitress**  
$55K

**Designer**  
$67K

**Professor, Architect & 2 Sons**  
$150K

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Very Low Income</th>
<th>Low Income</th>
<th>Moderate Income</th>
<th>Above Moderate Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 to 50% AMI</td>
<td>50 to 80% AMI</td>
<td>80 to 120% AMI</td>
<td>120 to 150% AMI</td>
</tr>
<tr>
<td>1-Person</td>
<td>Lower: $0</td>
<td>Upper: $35,550</td>
<td>Lower: $35,551</td>
<td>Upper: $56,900</td>
</tr>
<tr>
<td>2-Person</td>
<td>Lower: $0</td>
<td>Upper: $40,650</td>
<td>Lower: $40,651</td>
<td>Upper: $65,050</td>
</tr>
<tr>
<td>3-Person</td>
<td>Lower: $0</td>
<td>Upper: $45,750</td>
<td>Lower: $45,751</td>
<td>Upper: $73,150</td>
</tr>
<tr>
<td>4-Person</td>
<td>Lower: $0</td>
<td>Upper: $50,800</td>
<td>Lower: $50,801</td>
<td>Upper: $81,300</td>
</tr>
<tr>
<td>5-Person</td>
<td>Lower: $0</td>
<td>Upper: $54,900</td>
<td>Lower: $54,901</td>
<td>Upper: $87,800</td>
</tr>
<tr>
<td>6-Person</td>
<td>Lower: $0</td>
<td>Upper: $58,950</td>
<td>Lower: $58,951</td>
<td>Upper: $94,300</td>
</tr>
</tbody>
</table>

Source: San Francisco Mayor's Office of Housing 2011 Income Limits
44% of San Francisco residents are middle income.

- 16% are low income (50% AMI-80% AMI)
- 18% are moderate income (80-120% AMI)
- 10% are above moderate (120-150% AMI)

More than half of residents (56%) are either upper income or very low income households.

Source: 2005-2009 ACS accessed via iPUMS, Seifel Consulting, Mayor’s Office of Housing
SF’s Income Distribution: Change Over Time

SF’s Income Distribution: Change Over Time

- Less than 50% AMI
- 50% AMI to 80% AMI
- 80% AMI to 120% AMI
- 120% AMI to 150% AMI
- Over 150% AMI

SF’s income mix may be changing for many reasons. We cannot isolate factors that have led to net decline in low and moderate income households.

Some of the considerations that influence an individual’s or family’s location choice are:

- School quality
- Neighborhood preferences
- Job opportunities
- Types of housing available
- Cost of living relative to neighboring jurisdictions

Next section drills down on how housing affordability, as a single factor, might contribute to the trend.
RENTAL HOUSING:

Market Rate Opportunities
Affordable Opportunities
Gaps
Affordable Housing

• 30 percent of their gross annual income for rent or ownership costs.

• Cost burdened = paying more than 30 percent
  Can mean difficulty affording other necessities (food, clothing, transportation, medical care)

Deed Restricted Affordable Housing

• Legally bound to rent or sell to households under income limit at a price that is “affordable”.

• San Francisco City supports 20,900 units of deed restricted affordable housing*
## Rental Opportunities

### % of Units Affordable at Income Limit

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Household Size</th>
<th>50% AMI</th>
<th>80% AMI</th>
<th>120% AMI</th>
<th>150% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>1 person</td>
<td>6%</td>
<td>54%</td>
<td>93%</td>
<td>97%</td>
</tr>
<tr>
<td>1-Bedroom</td>
<td>2 people</td>
<td>4%</td>
<td>33%</td>
<td>79%</td>
<td>93%</td>
</tr>
<tr>
<td>2-Bedroom</td>
<td>3 people</td>
<td>5%</td>
<td>16%</td>
<td>60%</td>
<td>77%</td>
</tr>
<tr>
<td>3-Bedroom</td>
<td>4 people</td>
<td>14%</td>
<td>20%</td>
<td>51%</td>
<td>68%</td>
</tr>
</tbody>
</table>

### % of Households within Income Category

<table>
<thead>
<tr>
<th>All SF Households</th>
<th>0-50%</th>
<th>50-80%</th>
<th>80-120%</th>
<th>120-150%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30%</td>
<td>15%</td>
<td>17%</td>
<td>10%</td>
</tr>
</tbody>
</table>

a. Affordable rent is based on San Francisco Mayor's Office of Housing published rents and equals maximum monthly rent for each unit type and includes the cost of utilities.
b. Percentage equals the portion of units on the market with asking rents equal to or less than the affordable rents for each unit type.

Source: San Francisco Mayor's Office of Housing, SF Controller’s Office, Craigslist, Seifel Consulting Inc.
Rental Opportunities

Percent of Craigslist rental listings priced affordably for each income level

Source: San Francisco Mayor’s Office of Housing, SF Controller’s Office, Craigslist, Seifel Consulting Inc.
### M.R. Rental Affordability Gap

<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>30% AMI</th>
<th>50% AMI</th>
<th>80% AMI</th>
<th>100% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affordable Rent^a</td>
<td>Affordability Gap^b</td>
<td>Affordable Rent^a</td>
<td>Affordability Gap^b</td>
</tr>
<tr>
<td>Studio</td>
<td>$1,238</td>
<td>$523</td>
<td>($715)</td>
<td>$870</td>
</tr>
<tr>
<td>1-Bedroom</td>
<td>$1,522</td>
<td>$596</td>
<td>($926)</td>
<td>$994</td>
</tr>
<tr>
<td>2-Bedroom</td>
<td>$1,905</td>
<td>$671</td>
<td>($1,234)</td>
<td>$1,119</td>
</tr>
<tr>
<td>3-Bedroom</td>
<td>$2,543</td>
<td>$745</td>
<td>($1,798)</td>
<td>$1,243</td>
</tr>
<tr>
<td>4-Bedroom</td>
<td>$2,688</td>
<td>$805</td>
<td>($1,883)</td>
<td>$1,343</td>
</tr>
</tbody>
</table>

^a. Affordable rent is based on San Francisco Mayor's Office of Housing published rents, 2010, and equals maximum monthly rent for each unit type and includes the cost of utilities.

^b. Affordability gap equals affordable rent minus HUD 2012 fair market rent.

Source: San Francisco Mayor's Office of Housing, HUD published Fair Market Rents for San Francisco, Seifel Consulting Inc.
Funding for Deed Restricted Affordable Rental Development

Sources of Public Financing for Affordable Housing
FY 2002-03 through FY 2010-11
Source: MOH, SFRA, Tax Credit Allocation Committee, Department of Housing and Community Development

<table>
<thead>
<tr>
<th>Source</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and State Tax Credits</td>
<td>36%</td>
</tr>
<tr>
<td>Tax Increment Revenues and Bond Proceeds</td>
<td>24%</td>
</tr>
<tr>
<td>State Loans and Grants</td>
<td>16%</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>10%</td>
</tr>
<tr>
<td>City General Fund, Affordable Housing Fees</td>
<td>10%</td>
</tr>
<tr>
<td>Other Income</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
City Response
Deed Restricted Affordable Rental Units

• Total SF Rental: 212,000 Units

• Deed Restricted Affordable Rental: 18,000 Units

• 24% of City rental units target middle income households

• 16% deed restricted at 50-60% AMI

• 7% deed restricted at 60-80% AMI

Source: Mayor’s Office of Housing, SF Redevelopment Agency
Affordable Rental Units

City focus: <60% AMI

Why?
Poor leveraging ability over 60% AMI

- Sources for 0-60% AMI:
  - Local
  - Federal
    - CDBG, HOME, Tax Credit
  - State
    - Prop 1C
- Sources for 60-120%AMI:
  - Only Local
    - Tax Increment and Bond Proceeds
    - City General Fund and Affordable Housing Fees

- Cost: $400,000/unit
Gaps

• Very Low Income households (0-50% AMI)
  – Extreme difficulty finding an apartment to fit their budget
  – Virtually no rentals available in affordable price range

• Low Income households (60-80% AMI)
  – Some difficulty finding an apartment in affordable price range
  – Largely unserved by City Rental Programs
HOMEOWNERSHIP:

Market Rate Opportunities
Affordable Opportunities
Gaps
<table>
<thead>
<tr>
<th>Income Levels&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Affordable Sales Price&lt;sup&gt;c&lt;/sup&gt;</th>
<th>Affordability Gap&lt;sup&gt;d&lt;/sup&gt;</th>
<th>Affordable Sales Price&lt;sup&gt;c&lt;/sup&gt;</th>
<th>Affordability Gap&lt;sup&gt;d&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>150% AMI</td>
<td>$460,000</td>
<td>($377,000)</td>
<td>$556,000</td>
<td>($112,000)</td>
</tr>
<tr>
<td>120% AMI</td>
<td>$383,199</td>
<td>($453,801)</td>
<td>$437,000</td>
<td>($231,000)</td>
</tr>
<tr>
<td>80% AMI</td>
<td>$243,914</td>
<td>($593,086)</td>
<td>$278,000</td>
<td>($390,000)</td>
</tr>
<tr>
<td>Median Sales Price</td>
<td>$837,000</td>
<td></td>
<td>$668,000</td>
<td></td>
</tr>
</tbody>
</table>

a. Affordable sales prices and median sales prices are rounded to nearest $1,000.
b. Income categories are based on Maximum Income by Household Size published by HUD.
c. Affordable sales price calculation assumes 33 percent of income is spent on housing, a 10 percent downpayment and 90 percent financing based on an annual average interest rate per Federal Reserve Bank and includes utilities, real estate tax and insurance.
d. Affordability gap equals affordable sales price minus median sales price for 2-bedroom unit.
e. Median sales price is for a 2-bedroom single family or condominium from Zillow for July of each year.

Source: San Francisco Mayor's Office of Housing, Federal Reserve Bank, San Francisco County Assessor's Office, California HCD, Zillow, Seifel Consulting Inc.
In 2011, a low income household (80% AMI) could afford only 7% of the homes for sale in San Francisco.

- Sales records are based on 1, 2 and 3 bedroom condominium and single family house sales from January 1, 2011 through December 31, 2011.
- Source: Dataquick, Seifel Consulting Inc.
In 2011, a moderate income household (120% AMI) could afford 23% of the homes for sale in San Francisco.

- Sales records are based on 1, 2 and 3 bedroom condominium and single family house sales from January 1, 2011 through December 31, 2011.
- Source: Dataquick, Seifel Consulting Inc.
In 2011, above moderate income household (150% AMI) could afford 39% of the homes for sale in San Francisco.

- Sales records are based on 1, 2 and 3 bedroom condominium and single family house sales from January 1, 2011 through December 31, 2011.
- Source: Dataquick, Seifel Consulting Inc.
Deed restricted ownership development programs

- MOH BMR
- SFRA BMR
- SFRA 100% affordable buildings
City Response
Deed Restricted Affordable Ownership Units

- Total SF Ownership: 124,627 Units
- Deed Restricted Affordable Ownership: 2,800 Units
- 96% of City ownership units target middle income households 50%-120% AMI

Source: Mayor’s Office of Housing, SF Redevelopment Agency
City Response

Why not more 100% affordable ownership development? Leveraging

Mosaica Family Apartments
93 units of affordable rental family housing

Mission Walk
131 units affordable ownership family housing

<table>
<thead>
<tr>
<th>City of San Francisco (MOH)</th>
<th>35%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perm Loan</td>
<td>8%</td>
</tr>
<tr>
<td>State MHP</td>
<td>25%</td>
</tr>
<tr>
<td>Developer Contribution</td>
<td>1%</td>
</tr>
<tr>
<td>AHP</td>
<td>1%</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>31%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City of San Francisco (SFRA)</th>
<th>55%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Proceeds</td>
<td>36%</td>
</tr>
<tr>
<td>State Downpayment Assistance</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
City Response

Homeownership assistance programs have helped almost 3,000 middle income families to buy a home.

<table>
<thead>
<tr>
<th>Homeownership Assistance Programs*</th>
<th>Income Limits</th>
<th>Households Served to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downpayment Assistance Loan Program (DALP)</td>
<td>120% AMI</td>
<td>502</td>
</tr>
<tr>
<td>City Second Loan Program (CSLP)</td>
<td>120% AMI</td>
<td>498</td>
</tr>
<tr>
<td>Police in the Community Loan Program (PIC)</td>
<td>No Max</td>
<td>16</td>
</tr>
<tr>
<td>Teacher Next Door Loan Program (TND)</td>
<td>200% AMI</td>
<td>40</td>
</tr>
<tr>
<td>Mortgage Credit Certificate Program (MCC)</td>
<td>Approx 170% AMI</td>
<td>1453</td>
</tr>
<tr>
<td>BEGIN (SFRA)</td>
<td>120% AMI</td>
<td>256</td>
</tr>
</tbody>
</table>

*Table represents the City’s largest homeownership assistance programs, it is not a comprehensive list.
CONCLUSIONS
Conclusions

• VERY LOW INCOME HOUSEHOLDS (0-50% AMI)
  – Rental apartments out of reach
  – Target for deed-restricted rental

• LOW INCOME HOUSEHOLDS (50-80% AMI)
  – Smaller rental affordability gaps
  – Fewer deed-restricted units
Conclusions

- **MODERATE INCOME HOUSEHOLDS (80-120% AMI)**
  - For-sale homes out of reach
  - Current focus for affordable ownership programs and downpayment loan assistance programs

- **ABOVE MODERATE INCOME HOUSEHOLDS (120-150% AMI)**
  - Relatively well served by rental market
  - Smaller ownership affordability gap
POLICY DISCUSSION
Renters at 60-80% AMI
Owners at 80%-120% AMI
Policy Discussion

• How could we help middle income households at 60-80% looking for rental housing?

• Policy Change
  – Restructure the BMR rental program to serve up to 80% AMI
    • Reserve a portion of units at current affordability levels
    • Require more units for equal cost to developers
    • Geographical concerns

• Context
  – Current program target 55%-60% AMI
  – Inclusionary Housing Programs govern 1,500 existing units
  – About 300 new units will be coming over next 2 years
How could we help people at 80-120% AMI looking for affordable ownership housing?

Policy Options:

- Increase Downpayment Loan Assistance Available
- Restructure BMR Program
Restructure BMR Program

• Policy Change
  – Increase income limit to serve middle income households up to 120% AMI
  – Preserve a portion of units at current affordability levels
  – Require more units for equal cost to developers
  – Geographical concerns

• Context
  – Current program limits income at 90/100% AMI
  – 1,060 ownership units are governed under the MOH Inclusionary Housing Programs
Policy Discussion

- How could we help above moderate income people at 120-150% AMI to buy a home?
  - Financing products