HOPE SF:
REBUILDING PUBLIC HOUSING AND RESTORING OPPORTUNITY FOR ITS RESIDENTS

Summary of Task Force Recommendations to the Mayor and Board of Supervisors

March 23, 2007

INTRODUCTION

As a result of chronic underfunding by the federal government, the future of public housing in San Francisco and the nation is at risk. While we firmly believe that the federal government has a responsibility to increase the funding for public housing, San Francisco must take action quickly to ensure no loss of public housing in our city.

In the fall of 2006, Mayor Newsomn and Supervisor Maxwell selected a broad-based task force to provide recommendations for addressing the conditions in San Francisco's most distressed public housing while also enhancing the lives of its current residents. This document outlines those recommendations and the Task Force's suggestions for crucial next steps to address these issues.

The Case for Immediate Action

The San Francisco Housing Authority (SFHA) owns and manages approximately 6,400 units of public housing. For the last two decades, funding for public housing has been in steady decline. Over the last six years severe cuts have caused both intense physical distress to housing conditions and serious social and economic consequences for residents.

In 2002, the SFHA commissioned an independent assessment of the physical needs of its properties, which revealed a backlog of immediate needs totaling $195 million. It also was determined that an average of $26.6 million per year in additional physical deterioration will occur in SFHA communities if the current problems are not addressed. To put that number in perspective, the federal government only allocates $16 million per year to the SFHA to address these needs. As a consequence, if action is not taken to address these issues, the total cost over the next 30 years will total an estimated $800 million.

This distressed public housing puts families, seniors and children at risk. The housing quality issues alone are reason to act. Deferred maintenance coupled with high vacancy rates exacerbate the security issues for residents and neighbors, Older housing is more likely to contribute to environmental health issues like asthma.

From a quality of life perspective, the level of concentrated poverty that characterizes the current living conditions at many of these sites has been shown to hurt neighborhood vitality and limit educational and employment opportunities for children and families.
On a basic financial level, the City has an economic need to fix distressed public housing because the cost to maintain the current stock exceeds what is available. Simply paying for annual maintenance on SFHA properties will cost nearly $10 million more per year than the SFHA receives from HUD, Finally, diverting money to fix highly distressed buildings makes it harder to keep decent buildings in good shape.

On a human level, we have a moral obligation to improve the living conditions within public housing and to create a climate that provides greater economic opportunity and more supportive family environments. And the commitment must be to both current and future residents.

Over the last decade, San Francisco has taken steps to address this situation. In partnership with private and non-profit developers, the SFHA revitalized six public housing communities in North Beach, the Mission District, and Hayes Valley. Using federal funding made available through the Department of Housing and Urban Development's HOPE VI program, SFH-A has leveraged hundreds of millions of dollars in related public and private investments. All of these developments feature a mix of incomes and architecture that fits into the surrounding neighborhood.

Cuts to the HOPE VI program have severely limited local access to funds for public housing revitalization and created the necessity to find creative financial and programmatic solutions to the physical and social issues that currently exist.

Opportunity to Make Positive Change

In response to these conditions, the SFHA has done a strategic assessment of their long-term financial needs, revenues, and assets. As part of that analysis, the SFHA identified eight highly distressed public housing sites that are significantly less developed than their surrounding communities. These sites were developed in the 1940s and 1950s and the buildings are now falling apart.

The opportunity exists. to rebuild these low-density public-housing sites as mixed-income communities at a scale similar to typical San Francisco neighborhoods and without displacing current residents. In practical terms, we can to rebuild all 2,500 of the existing distressed and antiquated public housing units and add as many as 3,500 new market-rate and affordable homes.

In order to assess the viability of this approach, the Mayor and Board of Supervisors created the HOPE SF Task Force. The next section highlights the Task Force's recommended vision, principles, and funding scenarios.

TASK FORCE RECOMMENDATIONS: VISION, PRINCIPLES, AND FUNDING

The HOPE SF task force was charged with the development of recommendations on two fronts: The vision and principles that should drive the initiative and the menu of strategies for funding. Below is a summary of the group's recommendations.

HOPE SF Vision Statement:

Rebuild our most distressed public housing sites, while increasing affordable housing and ownership opportunities, and improving the quality of life for existing residents and the surrounding communities.

HOPE SF Principles:

1**. Ensure No Loss of Public Housing:**

- One for One Replacement Public Housing Units
- Make Every Unit Modern and of High Quality
- Commit to Minimize Displacement of Existing Residents
- Phase the Rebuilding of the Sites
- Emphasize On-Site Relocation

2. Create an Economically Integrated Community:

- Build a housing ladder that includes:
    - Public Housing
    - Affordable Housing
    - Market Rate Housing
- Emphasis on the Priority Needs for Family Housing

3. Maximize the Creation of New Affordable Housing:

- In addition to one for one replacement of public housing, create as much affordable rental and ownership housing as possible on the sites
- Fund the rebuilding of the public housing using profits from the market-rate housing

4. Involve Residents in the Highest Levels of Participation in Entire Project:

- Resident Engagement in Planning and Implementation
- Develop Mechanisms for Residents to Engage in the Process
- Resident-Driven Occupancy Criteria

5. Provide Economic Opportunities Through the Rebuilding Process:

- Connect Appropriate Job Training and Service Strategies such as CityBuild and Communities of Opportunity to the Development Process
- Create Viable Employment Opportunities (Jobs) for Existing Residents through the Development Process
- Take Advantage of Contracting Opportunities:
    - Existing Residents
    - Local Entrepreneurs Small
    - Disadvantage Businesses

6. Integrate Process with Neighborhood Improvement Plans:

- School Improvement and Reform
- Parks Improvements
- Improved Transportation
- Enhanced Public Safety
- Neighborhood Economic Development

7. Create Environmentally Sustainable and Accessible Communities:

- Incorporate Green Building Principles
- Include Design Elements that Meet Long-Term Accessibility Needs

8. Build a Strong Sense of Community:

- Solicit Input from Entire Community in Planning and Development Process
- Include Current and Prospective Residents
- Reach Out to and Engage Neighbors

HOPE SF Funding Needs

The SFHA, the San Francisco Mayor's Office of Housing and the San Francisco Redevelopment Agency have analyzed this rebuilding opportunity to determine the financial feasibility of the approach outlined by the Task Force. Below are the assumptions and resulting cost projects and financing gaps.

Key Financial Assumptions:

- All of the public housing would be rebuilt on-site;
- Rebuilding would occur in phases so that relocation could occur on-site;
- Market-rate housing would cross-subsidize the rebuilding of the public housing;
- The developments would be rebuilt to 40 units per acre or more depending on the density of the surrounding neighborhood; and
- The final mix of housing on the sites would be approximately 40% public housing, 40% market rate and 20% affordable rental and ownership housing

To provide an example, using these assumptions, the estimated total development cost for Hunter's View is $300 million. By using cross-subsidies, leveraging State and Federal funding sources, and borrowing against the project's future rents and sales incoine, the project can finance approximately $250 million of its total cost. The remaining $50 million is the local funding gap.

Below is a list of the eight most distressed developments and an estimate of the financing gap for each development based on the mixed-income scenario described above.

SFHA Development	**Current # of SFHA units**	**Public Housing Gap (millions)**	**Affordable Housing Gap (millions)**
Hunters View	267	$30	$20
Potrero Annex and Terrace	628	$60	$30
Sunnydale	767	$90	$60
Westbrook Apts.	306	$30	$20
Hunter's Pt	133	$10	$20
Westside Courts	136	$25	$10
Alice Griffith	256	$25	$20
Total	**2493**	**$270**	**$180**

TASK FORCE RECOMMENDATIONS: KEY NEXT STEPS

1. <u>Expand the outreach and education process with public housing residents and other stakeholders.</u>

A. One of the core principles of the HOPE SF Task Force is the early and authentic involvement of residents in every step of the process. This involvement starts with a need to aggressively reach out to current public housing residents to inform them on the Task Force's recommendations, the benefits of the HOPE SF program, and possible funding scenarios.

There are strong and legitimate concerns among current residents about displacement and gentrification that could be associated with this project. While the Task Force has taken great care in developing principles for HOPE SF to address these concerns, rumors and myths dominate much of the current discourse regarding the rebuilding of public housing because not enough information is being provided on a consistent and timely basis. The Task Force recommends the formation of. outreach teams that are comprised of residents, city staff, and policy or issue experts to conduct outreach and hold meetings on HOPE SF.

B. Another important part of the public education and engagement process involves othet community stakeholders. For both the development process and the community building goals to be successful, HOPE SF needs to engage beyond the boundaries of the public housing sites. As a first step, HOPE SF should create a set of materials that speak to a variety of target audiences - public housing residents, neighborhood residents, developers, businesses, and potential funders. These materials should be tailored for each audience so that we are explaining HOPE SF in terms most relevant to the groups involved.

2. <u>Seek $100 to $200 million in new local funding for an aggressive first phase of HOPE SF</u>

A. The Task Force recommends that the City and the San Francisco Housing Authority rebuild all of the distressed sites along the principles outlined above. Since it may not be possible to secure all of this funding at once, the Task Force proposes that the City seek at least $100..$200 million in new local funding for the first phase of HOPE SF. The Task Force further recommends that this funding be allocated for the following purposes:

- 2/3 of the funding should go to rebuild public housing (900-2000 units)

- 1/3 should fund inodernization of other public housing sites (300-500 units) and new affordable homeownership and rental housing on the HOPE SF sites (200-400 units)

B. The Task Force recommends that the City and the SFHA provide funding specifically for those SFHA sites with significant resident support and engagement. As such, the 'Task Force is not endorsing the redevelopment of any specific site as part of this funding. Once funding is identified for revitalization, there needs to be a thorough community process for individual

SFHA sites as part of any funding decisions. Ultimately, HOPE SF should fund those sites with resident-endorsed development plans.

C. The Task Force recommends a thorough analysis of the feasibility of the various funding options for securing this funding, including the possibility of a General Obligation bond. In light of the high bar that is set for the passage of a General Obligation Bond (66.66% for approval), the Task Force recommends polling and other methods to determine its feasibility. The feasibility assessment should also include outreach to elected officials, community members, commissions and civic groups to explain the vision and to develop their support for funding. Finally, the Task Force recommends that the Mayor and Board of Supervisors work together to pursue any and all funding opportunities including bonds, appropriations, special grants or any other mechanism that would assist in the rebuilding process.

D. The Task Force also recommends that the City and San Francisco Housing Authority ultimately seek additional funds in the future to rebuild the remaining HOPE SF sites. While it may not be politically or financially possible to rebuild all sites immediately, the ultimate goal of the Task Force is that all of the distressed sites have the opportunity for revitalization funding.

3. <u>Secure funding for services, outreach, job training and school improvement independently of individual project financing.</u>

The Task Force has identified a number of key community concerns that need to be addressed either during or before the decision to rebuild any individual site. For example, outreach and engagement are clearly activities that need to come before a developer has been selected for redevelopment of a site. In the past, the San Francisco Redevelopment Agency has provided "Resident Capacity grants" to residents of properties at risk of losing their HUD subsidies. These grants provided residents with the ability to hire a development consultant and legal counsel to assist them in their decision making process. **The Task Force strongly believes that the success of HOPE SF depends on an informed and organized base of residents.**

Once the decision has been made to rebuild a site, job training and other services need to be in place so that residents are trained in advance of any construction work on a site. School improvement is a long-term process that can't be effectively pursued in reaction to a site development timeline. With this in mind, funding for these efforts should be pursued independently of projects in order for cases these activities to precede HOPE SF redevelopment. Ultimately HOPE SF will be judged by how the lives of public housing residents are affected by the overall community building process.

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