



September 13, 2022

Gustavo Velasquez, Director
Department of Housing and Community Development
Division of Housing Policy Development
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Dear Director Velasquez:

We are writing in response on behalf of the Council of Community Housing Organizations (CCHO) to your letter dated August 11th where the Department of Housing & Community Development (HCD) announces a forthcoming review of SF housing policies and practices. We welcome a thorough and comprehensive review of San Francisco housing policies; however, we are concerned about HCD's narrow focus on *development constraints* on overall housing production without stressing that over half of the next RHNA cycle's housing production goals are for below market rate affordable housing units. Moreover, HCD fails to provide any guidance on protecting and strengthening the City's existing affordable housing programs and strategies. San Francisco produced 150% of its state and regionally mandated goals for market rate housing in the most recent RHNA cycle but produced less than half of its goal for affordable housing. **In light of this distressing performance, we call upon HCD to partner with us to identify the funding and policy solutions that ensure we meet our affordable housing production and preservation goals in the new cycle.**

The Council of Community Housing Organizations has played a leading role in innovating affordable housing strategies and advancing groundbreaking policies in San Francisco to expand affordability, prevent displacement, and stabilize local communities. Together, our 21 member organizations have been responsible for over 30,000 new or preserved affordable homes, winning nearly \$6.5 billion in dedicated funds for affordable housing, creating thousands of jobs, and helping to foster healthy and equitable communities.

Without a significant change in direction, San Francisco will likely repeat past mistakes, continually under-producing affordable housing, exacerbating our displacement and climate change pressures, and preventing our city from adequately housing our local workforce. We believe this change in direction will not come from a singular focus on removing constraints to market rate development. In fact, in 2021, according to data provided by the Mayor's Office of Housing & Community Development, only 29% of new affordable units in San Francisco came about through inclusionary obligations of market rate development. *This is far short of the state and regionally mandated targets for affordable housing that conclude 57% of new housing should be affordable to very low, low, and moderate income households.* **We are concerned that HCD's one-size-fits-all approach that focuses on market rate development and stays silent on affordable housing funding and policies will only result in San Francisco falling short, once again, in meeting our state and regionally-mandated targets for affordable housing.**

In order to meet the RHNA goals, San Francisco should be building at least 6,000 new affordable units each year, dedicating about 45-60 new sites to affordable housing, and spending an average of \$2 billion annually on housing production and preservation. The price tag for the 46,000 units of affordable housing required under RHNA is \$19 billion over the next 8 years. **In order to achieve these goals, it is imperative that HCD, regional, and local**

leaders create new sources of revenues to ensure that we can achieve our goals. Without a strong commitment to identifying the funding solutions, we find it hard to believe that HCD is equally concerned about San Francisco's ability to achieve very low, low, and moderate income affordable housing goals, when we know that in practice, the market will inevitably produce luxury housing, furthering the housing imbalance, and the city will fall far short of meeting its affordable housing needs.

In reviewing the letter announcing HCD's review of SF housing policies & practices on August 11, 2022, we have come to the following conclusions:

- **The State's actions do not align with the state's goals.** The state's guidance puts SF on a collision course with upzoning San Francisco to create housing that is approximately 20% affordable and 80% market rate, while at the same time actual housing production goals set by the state & region conclude that 57% of new housing should be affordable to very low, low, and moderate income households. Our State should do everything it can to enable cities to meet their affordable housing goals first.
- **Deregulation of our housing market is an inequitable strategy for creating affordability.** San Francisco's affordable housing standards have raised the bar, and we need to do more, not less, to uphold our affordable housing standards. The State is over-emphasizing the removal of government constraints without recognizing San Francisco's policies and resources that serve as an essential line of defense to safeguard affordability and prevent displacement. Without critical policies like our inclusionary program and processes to regulate the housing market for affordability, San Francisco would not have been able to slow the tide of displacement and would have fallen even further short of our affordable housing goals. Moreover, simply lifting all government constraints as a strategy to facilitate the production of new housing development overall will still empirically never achieve the 57% below market goals under San Francisco's RHNA obligation.
- **We should be holding cities accountable to achieving our affordable housing targets.** In the most recent RHNA cycle, San Francisco exceeded housing production goals for high income housing by 10,000 units, and fell short on its production of lower income housing by roughly the same amount. We need more resources to help cities achieve affordable housing goals, and consequences for not applying these resources and falling short on affordable housing production. The state shouldn't be threatening to revoke affordable housing grants as punishment for not building sufficient market rate housing. The State should be partnering with local cities to identify sustainable funding and revenue streams to fill the current affordable housing funding gap.
- **A narrow focus on "supply side" strategies does not consider underlying shifts in our housing market.** San Francisco is in a transformed housing market where for-profit developers are no longer in the business of building to create long term homes for working families or adequately housing our local workforce. Instead, investors are motivated by increasing land values and year-on-year returns on investment. Our public policies should not center the role of for-profit developers and investors in solving our affordability crisis, we need public investments, public policies, and public and community-controlled housing to fill the gap. The State should be paying more attention towards helping cities achieve the 3 Ps, protecting tenants, preserving at-risk existing housing, and producing affordable housing for generations to come.
- **Equity measures must be embedded in housing policies to protect low-income communities of color from widespread displacement and gentrification.** To ensure more equitable results, market rate development can be focused in highest resource areas while leaving out cultural districts, sensitive communities, and other low income BIPOC census tracts, such as those defined in the Displacement Risk Map of the UC

Berkeley Urban Displacement Project. Similarly, future investments in affordable development and preservation strategies must not leave behind frontline working class communities that have historically faced displacement pressures. The current draft of San Francisco's Housing Element mentions the word "equity" more than 121 times, yet when one adds up all the policies that encourage demolition, streamlining, and cut costs for developers without prescribing equity measures or price controls, the cumulative effect is accelerating housing development that increases displacement pressures on BIPOC communities. We encourage the HCD to make every effort to identify the policies and resources that will enable San Francisco to build housing to sustain working class, BIPOC communities to have sustainable futures in San Francisco instead of creating a system that would further imbalance housing development against such a future.

The Council of Community Housing Organizations and our 21 member coalition are eager to work in partnership with local agencies, HCD, and state officials on the affordability solutions that are needed to help us achieve state and regionally mandated affordability goals. We look forward to hearing your response.

Sincerely,



John Avalos
Executive Director



Charlie Sciammas
Policy Director

cc

Rich Hillis, Director, San Francisco Planning Department
London Breed, Mayor City & County of San Francisco
Eric Shaw, Director, Mayor's Office of Housing & Community Development
San Francisco Board of Supervisors
Matt Haney, Assembly Member
Phil Ting, Assembly Member
Scott Wiener, State Senator
Rob Bonta, Attorney General
Kristina Hill, Institute of Urban & Regional Development