



San Francisco has a housing crisis. Homes cost more than average working people can pay. While the dot-com collapse has somewhat lowered rental prices, many renters still pay more than half of their incomes for rent, single adults still outbid families with children for flats and single-family rental homes, and there is still a wait of many years for the opportunity to move into a substandard and unsafe public housing unit.

The ownership situation is even worse. California is 48th among the states in homeownership. In 2000, according to the California Association of Realtors, only 10% of San Francisco households could afford to purchase a median-priced home, as compared to 32% in the rest of California, and 55% in the rest of the country.

We are not producing enough housing to keep pace with demand, and to keep prices within rational ranges. In 2000, *Money Magazine* rated San Francisco as “the best place to live” in the United States. However, low and middle class working families are being replaced with higher-earning single people.

San Francisco is becoming a city of the wealthy and the poor, with little else in between.

### **How did it happen?**

The Association of Bay Area Governments (ABAG) estimates that we will need just over 20,000 new units of housing by 2006, in all income ranges, in order to meet demand and maintain a normal 5% vacancy rate, i.e. 20,000 units will simply maintain the current situation, not improve it. Despite a recent report by *SF Business Times* that nearly 21,000 units are “in the pipeline,” it is important to note that San Francisco has managed to produce **only** 10,000 units in the last decade.

So out of the 21,000 units that are “in the pipeline” the *SF Business Times* article admits that it is unlikely that we will actually see those new units (only 1,300 are under construction) because of the sluggish economy and insurance and financing difficulties for potential developers. Without a radical change in our production methodology, it is unlikely we will achieve even the minimum goals set by ABAG.

There are important reasons to change direction.

Inadequate housing stock is an obstacle to economic growth, not just a result of a lack of it. Twenty years ago the Housing Task Force of the Bay Area Council, which represented the Bay Area’s largest corporations at the time, warned: “If current trends continue, large segments of the Bay Area population will be priced out of the housing market. The results: a dwindling labor market as low- and middle-income families leave the area in droves, economic hardships for those who remain, and demands for higher salaries and wages.”

In June 1999, G. Rhea Serpin, then president and CEO of the SF Chamber of Commerce, wrote in *San Francisco Business*: “The high cost of housing and relative lack of availability of housing units are fast becoming a serious challenge to businesses’ ability to grow and stay competitive in San Francisco...”

The recently published Housing Element, written by city planners, estimates that more than 60% of San Francisco workers do not live here.

Why don't we have adequate affordable housing in San Francisco, despite the hundreds of millions of dollars from state, federal, and local sources we've spent in recent years to provide for it?

Because San Francisco's planning, production, and delivery system for housing was, and still is, the cause of the problem rather than the solution to it.

First, San Francisco's planning priorities emphasize the production of non-profit developer-controlled rental units, paid for by tax subsidies and "inclusionary zoning" affordable housing fees exacted from market rate developers. Developers consider these fees, which go into the city's affordable housing fund, as just another cost of doing business and add these costs to the sales or rental prices of their market rate units, making them even more unaffordable to the average working individual or family. So we produce subsidized rentals for very poor people on one hand, and very expensive housing for wealthy people on the other.

Second, the affordable housing fund, comprising these fees exacted from developers as well as all state, federal, and local funding sources for housing, is distributed to designated community development corporations for the production of affordable housing. The principals of these CDCs are not elected to represent their communities as originally intended by Community Development laws, but rather, are self-appointed entrepreneurs who enjoy political favors and respect because of their non-profit status. Their production rate is inefficient at best, (Voters rejected Prop B in 2002, which would have provided \$250 million in general obligation bond proceeds to these CDCs because of disappointing performance reports from a previous housing bond, i.e. less than half the number of promised new homes were produced.) and their production costs are estimated to be 20-30% higher than the private, for-profit sector. Unfortunately, they are the only means the city currently has of producing low -income, non-public housing.

Third, the down-zoning of residential districts which took place twenty-five years ago strictly limits height and density standards in most neighborhoods. I believe that a productive exchange of ideas with the affected neighborhoods could have loosened these restrictions over the years and led to reevaluations based on demographic changes and housing shortages, particularly for the middle class. Instead, City Planning has steadfastly refused to negotiate with the neighborhoods in good faith, and has maintained its adversarial position of authority, which has done nothing to soften resistance to change. Planning's relationship with the building industry has been equally unproductive, to the point today that attorneys and permit expeditors are budgeted into project development, raising production costs even higher, which ultimately raises the sales price to the end consumer.

Fourth, in part due to the inefficiency of the city planning bureaucracy, we have concentrated all of San Francisco's affordable housing production efforts on low income housing, rather than attempting to enable the production of lower cost housing. Low income housing, or subsidized housing, refers to housing in which a portion, (usually most), of the direct cost of the monthly rents or mortgage payments of subsidy recipients is paid by public funds, and is usually limited to 30% of the recipient's income. Low income housing provides short-term solutions, like somewhat physically-attractive and spacious units, but poses troubling long-term management and social problems, including the possibility that critical federal operating subsidies may be discontinued. Low *cost* housing as an alternative, is more challenging to produce in the current climate because it would mean streamlining our approval process, simplifying procedures and reviews, and perhaps providing front-end development assistance. But low cost housing is a better long-term investment for the city because it is sustainable, meaning rents are realistically tied to production and long-term maintenance costs and are not dependent upon fluctuating public subsidies.

Fifth, while we are producing only hundreds of new units each year, we are *losing* affordable rental units by the *thousands*. Ellis Act evictions, whereby a landlord removes an entire building from the rental market using a State law written for this purpose, have resulted in at least 10,000 (according to a SPUR report) and perhaps as many as 20,000 rental units being taken off the market because small landlords are tired of trying to figure out our rent control laws - they would rather have no income from an empty building than continue to provide rental housing in what they perceive to be an unfavorable environment. Other landlords have simply chosen not to re-rent vacant apartments, for the same reason and with the same result. The removal of these thousands of units from the rental market has done more to drive up rents than even the lack of adequate production, and I place the blame for it squarely on the Mayor's inability to bring our small landlords and tenant groups together to negotiate mutually-beneficial solutions. We need to find a way to stop the Ellis Act hemorrhage of rental units, and we need to work with our State representatives to find a way to bring the units we've lost back into our rental stock.

Average wage earners have been squeezed out of San Francisco by all of these policies, the result being the worst affordable housing shortage in decades.

### **What can we do differently?**

Now that we have acknowledged what doesn't work, we need to stop making matters worse, discontinue failed practices, take a fresh look and change direction.

### **Step 1. New Policies: Preserving and Rebuilding the Working Middle Class**

We will build affordable housing for the working single people in San Francisco, as well as for our working families. In many neighborhoods families are being displaced by single people who get together and rent a flat or house because it's the only way they can afford to live here. We need to go at production intelligently, targeting existing populations instead of attempting to socially engineer our population through restricted production. I want San Francisco to be a city that can accommodate all of our generations, not a city that young people must leave in order to raise their families.

We will look at every imaginable form of development model, and all forms of ownership, in order to maximize production. The creativity of San Franciscans will help us find innovative alternatives to the old non-profit-controlled rental models, and high-end luxury homes, which today are really the only choices people have. I am going to bring in talented people from the private sector to advise the Mayor's Office of Housing on the best models and practices from the Bay Area and across the country, and together we will make informed choices based on intelligent long range planning objectives.

***The number of land use issues being placed on the ballot in recent years is sad testimony to the inability of recent mayors to demonstrate leadership in this regard.***

The Housing Element must be rewritten, as far too many of the underlying assumptions upon which its recommendations are based are flawed. This important document is the basis of planning approval for years to come, and must reflect preservation standards, quality of life issues, and the necessity for economic diversity if it is to have value. The current draft of this document simply justifies a continuation and enhancement of failed policies, with the addition of increased density in established neighborhoods coupled with auto prohibitions for new residents.

These recommendations simply won't work. Most neighborhoods vehemently oppose them and so do I. **As Mayor, I will appoint a citizens group of neighbors, developers, and merchants to assist my planning department in writing a new Housing Element that makes sense and can be implemented.**

We will divert some of our non-profit production money to acquiring apartment buildings under rent control,

and putting them in a publicly-held land trust in order to keep them permanently affordable. Land Trusts are a form of community ownership which regulates the acquisition, development, preservation, and appreciation of real estate in designated areas controlled by the Trust.

We should look at adapting the land trust model to the preservation of affordability (rather than production) and try it here. I want to increase home ownership opportunities for low to middle income San Franciscans by providing resident-controlled groups with the assistance they require in order to purchase their project-based Section 8-subsidized housing developments for conversion to cooperatives or mutual housing associations. Home ownership is the best way I know of to preserve diversity in some of our more economically-threatened neighborhoods; the diversity of the Western Addition would not exist today were it not for the hundreds of units of limited-equity cooperative housing built there in the '60s, '70s, and '80s.

I am going to be the first Mayor in decades to bring tenants and landlords to the table to craft workable compromises. The contentious climate we see today serves no one but the lawyers and lobbyists. Our common goal must be to stop the loss of rental units and to look for ways at the city level to bring our thousands of empty units back on line.

**The Housing Authority must finally be reformed, once and for all.** The Housing Authority has suffered from poor management and lack of governmental oversight for too long, to the detriment of poor people who need temporary housing. The San Francisco Housing Authority has hundreds of empty apartments while families and seniors go homeless. That is unacceptable. Once the agency has been reformed, we must expand its role to include acquisition and production. I believe it can play a central role in operating transitional housing for the homeless.

As Mayor, I will be personally responsible for instituting production efficiencies for which city government is responsible. Streamlining the planning and permit process, restoring integrity to environmental reviews, strictly adhering to preservation guidelines, and public review will be handled according to written guidelines. There will be equal access to city agencies for all housing developers. Money and influence will no longer determine what gets built in San Francisco, and how long it takes to do it.

### **Step 2. Full Participation**

Neighborhoods must play a more important role in the housing planning process. We need to work with neighborhood groups instead of against them. Special interests have been permitted to control the nature of housing production in recent years with the disastrous results we see today. The Chamber of Commerce has no business telling us how to redesign our neighborhoods, and neither do economically self-interested "community organizations" that are not neighborhood-based. The needless production delays caused by endless appeals can, in most cases, be avoided simply by involving neighbors at the projects inception stage.

I will start from the premise that neighborhoods know what they want, and are best suited to make the decisions and form the organizations necessary to achieve their aims. City Hall should respond and adapt to those needs insofar as possible. Our City should be organized to allow neighborhoods to build the kind of communities they want. Decisions about parks, streets, public safety and land use define the quality of life, and are local in nature. Many, if not most of these decisions can and should be made at the neighborhood level. I would eventually like to see some portion of property tax increases, generated by neighborhood support for new development, given back to the neighborhoods to be used for identified local priorities.

Neighborhood organizations contribute to the overall quality of life for everyone.

In *The Death and Life of Great American Cities* (1961), Jane Jacob described the social fabric of neighborhoods that maintains order:

“The first thing to understand is that the public peace - the sidewalk and street peace - of cities is not kept primarily by the police, necessary as police are. It is kept primarily by an intricate, almost unconscious, network of voluntary controls and standards among the people themselves, and enforced by the people themselves. In some city areas - older public housing projects and streets with very high population turnover are often conspicuous examples - the keeping of public sidewalk law and order is left almost entirely to the police and special guards. Such places are jungles. No amount of police can enforce civilization where the normal, casual enforcement of it has broken down.”

Other cities have made good use of neighborhood participation:

- Portland contracts with its neighborhoods to provide “citizen participation services” which include comprehensive neighborhood-based planning.
- St. Paul has elected District Councils with jurisdiction over zoning and substantial influence over capital expenditures.
- Birmingham elects its neighborhood officers every two years at the polls. The citywide Citizens Advisory Board, representing all of the neighborhood-combined communities, decides how its Community Development Block Grants (CDBG) will be used.
- Dayton uses mail ballots to elect its neighborhood representatives, which facilitate Dayton’s neighborhood-oriented planning in neighborhood offices.
- Indianapolis has neighborhood-based Code Compliance Committees that identify nuisances and health and building code violations.

I will put together a working group of neighborhood representatives, housing producers, landlords, tenants, and small business people to advise and monitor the actions and direction of the Planning Department. Meaningful participation during the early development stages of most projects will save months and even years of bickering over a final proposal about which there has been no public debate until it appears at the Planning Commission. We need to stop blaming the people and start fixing the process.

### **Step 3. Clear Production Goals, Clear Lines of Accountability**

We will maximize housing production by eliminating the bureaucratic barriers to housing development. We will provide development assistance instead of resistance. We will hold the city’s housing departments accountable to specific objectives and timelines.

I will take the administrative steps necessary, and legislative steps through the Board, to provide density bonuses for developers of housing that is affordable to working people. The Chamber of Commerce recommended building 10,000 units of housing priced at \$550,000 (SF Business Times, July 2003). A density bonus is an exception from the height/density limits in exchange for setting aside a certain percentage of affordable units. Right now, only non-profits and governmental agencies like Redevelopment can get past this barrier with density bonuses, and their set-asides are economically unavailable to most working single people and seldom produce any new property taxes.

Given the past failure of these entities to provide substantial numbers of new housing units, I will support extending density bonuses to any housing developers willing to give us the maximum results we seek, publicly-subsidized or not. Incentives should reward production that benefits the many, not subsidize the ideological agendas of a few.

We will review the efficiency of our housing development subsidies and establish an audit and reporting methodology for all public funding sources. Based on demonstrated results, we will redirect funding to development entities that perform, and stop funding entities that don’t.

We will leverage all local sources of public subsidies with state and federal sources. We will write workable implementation plans that will qualify us for every available source of financial assistance. We will look to the private sector for mortgage assistance for workers. The corporations of Silicon Valley began a development fund for affordable workforce housing several years ago; our downtown corporations should be ashamed that they have not made a similar contribution of time and resources and have chosen instead to promote property tax subsidized-bonds as a short-sighted solution. We must begin to leverage our scarce public resources with private interests if we are to maximize our rate of production.

I want to see a variety of ownership forms, sizes of homes, and development models. The best practices of the industry will be promoted by the Mayor's Office and will move to the front of the development line.

We will look at underutilized land in the city before we propose intruding into existing neighborhoods. Our older public housing developments are a perfect example. A number of them have been rebuilt in recent years using federal HOPE VI money, e.g. Plaza East, Bernal Dwellings, and Hayes Valley, but that money is gone in this year's federal budget and is unlikely to return, given the mounting federal deficit.

The Sunnydale development is situated on fifty acres of land at our southern border in Visitacion Valley. There are only seven hundred or so apartments there, and they are old, outdated, and less than safe for raising families. We could promote a public-private partnership with local housing producers, perhaps finance it with union pension funds as in the St Francis Square Cooperative Housing that the ILWU financed for its members, rezone the area to accommodate the density bonuses and ground floor commercial, and you could have a nice mix of incomes, rentals and home ownership, and maybe 10,000 new taxpayers helping to fund our city services. Until we have exhausted these kinds of win-win opportunities, I see no reason to start changing around our neighborhoods.

As Mayor, I will recruit competent and qualified individuals to make all of this happen. I pledge to the people of San Francisco that I will be held personally accountable for measurable goals and timelines, which will be written to accomplish my objectives in this plan.

San Francisco must not be permitted to become a city of the very rich and the very poor. We must take immediate steps to preserve the diversity of our great, beautiful, and compassionate City of St. Francis.

A handwritten signature in blue ink, reading "Angela Ahlberg". The signature is fluid and cursive, with the first name "Angela" and last name "Ahlberg" clearly legible.