



SAN FRANCISCO PLANNING DEPARTMENT

Memo to the Planning Commission

HEARING DATE: JULY 12TH, 2018

Date: July 5, 2018
Case No.: 2017-007933CWP
Projects: **Housing Needs and Trends Report and
Housing Affordability Strategy**

Staff Contacts: Pedro Peterson- (415) 575-9163
pedro.peterson@sfgov.org
James Pappas- (415) 575-9053
james.pappas@sfgov.org

Reviewed by: Joshua Swtizky, Land Use and Housing Policy Program Manager

Recommendation: **None-Informational Item Only**

1650 Mission St.
Suite 400
San Francisco,
CA 94103-2479

Reception:
415.558.6378

Fax:
415.558.6409

Planning
Information:
415.558.6377

SUMMARY

The Housing Needs and Trends Report (HNTR) and the Housing Affordability Strategy (HAS) are two related projects meant to support housing policy and planning by the Planning Department. The HNTR complements and expands upon existing housing reports prepared by Planning. Specifically, this new report adds information on San Francisco's housing stock in relation to the people who live and work in the city and how these have changed in recent decades. The HNTR is the first phase of the Housing Affordability Strategy (HAS). The HAS will provide a framework to analyze and consider how the City may best improve housing affordability in San Francisco. The HAS will be developed over the next year in collaboration with other city agencies, community stakeholders, technical experts, policymakers, and consultants and will begin public outreach and engagement efforts this fall.

HOUSING NEEDS AND TRENDS REPORT

Background: The HNTR represents more than a year's worth of effort by both Planning staff and consultants to gather and analyze data. The report began in part as the Existing Housing Study, an effort to better understand the physical and economic characteristics of the city's existing housing stock and how it serves the existing population. The report has evolved and broadened as it overlapped and converged with other data collection and analysis efforts to become the first phase of the HAS. In addition to analysis of existing housing, the HNTR covers housing trends over time, including characteristics of various demographic groups in the city as well as tracking demographic and worker trends in relation to the housing stock.

Data and Analysis: The HNTR includes extensive analysis of secondary data sources including the Public Use Microdata Sample (PUMS), individual household and person level data made available from the Census and American Community Survey that allows for detailed cross-tabulation of housing and demographic information. The report also includes analysis of data from City departments, such as the

Department of Building Inspection, the Rent Board, Planning, and the Mayor's Office of Housing and Community Development. Planning staff and consultants undertook a major survey of San Francisco residents (with more than 4,500 total respondents) that allowed staff to investigate questions that could not be answered using PUMS or City generated data such as how San Franciscans find their residences and how secure or vulnerable they feel in their housing. The Report also draws on data from commercial sources such as Zillow and State/Federal agencies like the California Department of Housing and Community Development (HCD) and the U.S. Department of Housing and Urban Development (HUD).

Key Findings: The HNTR includes a wide range of information and analysis about changes to San Francisco's housing stock and socioeconomic and demographic composition over the past 25 years. Some key data highlights include:

- A high percentage of the city's rental stock is subject to rent control and provides relative affordability for low and moderate income households with tenures of greater length. Income-targeted affordable housing provides homes for a smaller segment of low and moderate income households. Households that moved into rent controlled units recently are much more likely to be higher income than in the past, tracking broader changes in the city.
- San Francisco has an even mix of building sizes relative to the region, though most neighborhoods with a high percentage of buildings with high unit counts (20 or more units) are clustered in the northeastern part of the City while the southern and western neighborhoods are dominated by single-family homes. Buildings with more than 5 units contain 52% of the city's units and occupy only 19% of the land. Single-family homes provide 27% of the city's units while occupying 62% of its land area.
- San Francisco new housing construction has averaged 1,900 new units per year since 1990 though the recent rate has increased substantially (to more than 5,000 in 2016 and an average of 4,000 between 2014 and 2017).
- San Francisco has gained high income households while the number of low- and moderate-income households has dropped. Housing cost burdens worsened for all but the highest income households.
- San Francisco has undergone additional demographic changes along with changes in households by income including loss of the Black population and households with children.

HOUSING AFFORDABILITY STRATEGY

Background: In recent decades, San Francisco has struggled with an acute housing affordability crisis as the number of higher income households has soared, accompanied by displacement pressures on low and moderate-income households as well as communities of color. At the same time, San Francisco has a long-standing commitment to invest in housing affordable at low and moderate incomes and to protect renters through local ordinances on rent control and just cause eviction. Despite these efforts, the city has struggled to substantially improve housing affordability for low and moderate-income households and does not have a comprehensive picture of how various policies and resources work together to achieve affordability outcomes.

Purpose: The HAS will provide a framework to help city staff, policymakers, and the public evaluate how our housing policies and plans work together to address housing affordability for our diverse population. The project will develop numeric goals and an inventory and evaluation of current and

potential tools to improve housing affordability with a particular focus on outcomes for low and moderate-income households in relation to the broader housing market.

Relationship to Existing Plans, Reports, and Housing Goals: The Planning Department completes various housing plans and reports that are statutorily required by state or local law including the Housing Element, Housing Inventory Report, and Housing Balance Report. While these plans and reports include useful data, analysis, and high-level housing objectives, much of their content is prescribed and they are not designed to provide a plan to improve housing affordability.

Currently, housing goals are provided by the Regional Housing Needs Allocation (RHNA), minimum housing production targets set by state and regional agencies. The primary purpose of RHNA is to ensure that cities zone adequate land for new housing, however, RHNA is not specifically designed to improve affordability. RHNA sets housing targets by income group by projecting the current distribution of households by income into the future, resulting in static housing targets with various limitations:

- Targets do not address existing housing challenges like cost burdens.
- Targets for housing affordable at low and moderate incomes are not accompanied by a plan to fund or otherwise meet those targets or to identify what set of measures would produce these targets. Due to lack of sufficient subsidy or other approaches, these targets are routinely missed, resulting in a deficit of tens of thousands of affordable homes since 1990.
- Targets do not account for the impact of income growth on rents and housing prices and have not anticipated the magnitude of growth in higher income households since 1990. Because housing production has not kept up with trends in household growth, higher income households now occupy a larger share of the city's existing housing stock while asking rents and prices have soared.

Development of Housing Affordability Goals: The process will develop a quantitative framework for establishing housing affordability goals that reflect input from technical experts, housing advocates, and the general public. This quantitative framework will reflect the reality that various combinations of policy and planning tools are necessary to achieve desired affordability outcomes given the possible range of direct public funding available for housing.

These housing affordability goals will focus on achieving desired outcomes including:

- Stabilize or reverse the loss of low and moderate income households in San Francisco.
- Stabilize or reduce housing cost burdens and rents and prices.
- Address housing needs by race/ethnicity, age, and household type to support the city's diversity.
- Support the City's [Strategic Framework](#) to significantly reduce homelessness.

Inventory and Evaluation of Housing Affordability Tools: Staff will work with consultants, and city colleagues to analyze the impacts of different investments, policies, and plans relative to the city's housing affordability goals and work with public stakeholders to suggest additional tools for analysis to achieve desired outcomes. The Affordability Strategy will incorporate and add to the inventory and evaluation of housing stabilization tools developed as part of a related Department project, the Community Stabilization and Anti-displacement Strategy. Tools assessed as part of the Affordability Strategy will largely fall into three areas:

- 1) Affordable housing production and preservation tools including funding and financing tools available from local, state, and federal sources and pipeline of affordable housing sites

- 2) Tenant protection and community stabilization tools
- 3) Overall housing production tools

The strategy will attempt to address the range of existing and potential tools comprehensively and reflect their impacts on affordability to the degree possible. Where a quantitative evaluation is not possible due to resource constraints or technical challenges, the Affordability Strategy will offer a more qualitative assessment of the impact of particular tools.

The Strategy will also attempt to address factors that affect housing affordability as well as policies and tools related to these factors, including:

- The legal, regulatory, economic, and political contexts of housing production and preservation including the city's zoned capacity for housing.
- The impact of regional housing production and preservation on San Francisco's housing market.
- Construction costs and processes and their impacts on production and affordability levels.

Stakeholder and Public Engagement: The Affordability Strategy will offer diverse opportunities for public stakeholders and experts to offer input and help shape the report.

- **Technical Experts:** At regular intervals in the project, Planning, consultants, and city colleagues will convene a group of technical experts in housing economics, housing finance and development, and demographic and economic forecasting to provide input on the development of housing affordability goals and evaluation of tools.
- **Housing Policy Advocates:** At regular intervals in the project, Planning and consultants will convene a group of housing policy advocates, representing a diverse cross-section of views and constituencies who regularly work on housing policy issues in San Francisco. The housing policy advocates will provide input on the development of housing affordability goals and evaluation of tools.
- **General Public:** Planning and consultants will hold public events to gather input and share information with diverse members of the public. Initial engagement will include public workshops with special emphasis on residents with particular vulnerabilities and housing needs. The workshops will provide an opportunity to share findings from the HNTR and hear input on desired outcomes that the affordability goals will address. Planning will build off of prior outreach and engagement and concurrent engagement by the Mayor's Office of Housing and Community Development (MOHCD) in support of efforts including the Consolidated Plan update. As development of the Strategy progresses, Planning will likely organize a public forum on housing affordability in San Francisco to share work on numeric housing affordability goals and evaluation of tools and hear input on the project from the public. Planning will make the work from the project available online and hopes to have a robust online presence to collect input as well to share findings and information.
- **Discussions with the Planning Commission and Elected Officials:** Planning and consultants will engage the Planning Commission and elected officials at regular intervals offering opportunities for feedback from policymakers and venues for additional public updates on the project.

Collaboration with City Partners: Planning will collaborate on the Affordability Strategy with various City Agencies whose work focuses on housing including MOHCD, the Department of Homelessness and Supportive Housing (HSH), the mayor's Office of Economic and Workforce Development (OEWD), the Controller's office, the Rent Board, Department of Building Inspection (DBI), and others.

Project Deliverables

- **Housing Needs and Trends Analysis:** The HNTR is the first phase of the HAS, providing information to inform the overall project, including of development of housing affordability goals.
- **Tools Inventory and Evaluation (Including Identification of New Tools)**
- **Housing Affordability Strategy Document:** Integration of the analyses of goals and tools along with stakeholder input into a report and associated materials for staff, policymakers, and the public to help guide housing policy making.

Project Timeline								
	2017	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3
Housing Needs & Trends Analysis								
Housing Affordability Goals								
Tools Inventory & Evaluation								
Public Engagement								
Housing Affordability Document								

NEXT STEPS

Planning has published the HNTR on July 12 and will make the report and data gathered from the housing survey available to the public on its website. Planning will supplement the HNTR with additional analysis as necessary to answer questions that emerge during the HAS process.

The HAS project will commence later this summer and fall as Planning completes contracting with consultants, convenes groups of technical experts and housing advocates, and initiates general public engagement to share findings from the HNTR and discuss housing needs and outcomes that can inform the development of housing affordability goals.

REQUIRED COMMISSION ACTION

This item is being presented for informational purposes only. No formal action by the Planning Commission is required.

RECOMMENDATION: None – Informational Item Only
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San Francisco Housing Needs and Trends Report

San Francisco
Planning

Introduction

San Francisco and the Bay Area are in the midst of a housing affordability crisis unprecedented in their history. Increases in housing prices and displacement pressures have been a long-term trend, accelerating in the late 1990s through the present. Over the last 5 years, the crisis has intensified as the region's high-wage employment base has grown, with a multiplier effect on wages and jobs across the income spectrum, while regional housing production has not kept pace. Much of the policy debate around housing has focused primarily on new construction—should we build more market rate housing? can we expand resources to build more affordable units?—yet the vast majority of San Franciscans live in homes that were built decades ago. The Housing Needs and Trends Report is an effort by the Planning Department to better understand San Francisco's housing stock and how it serves the city's residents as well as broad trends impacting housing demand and supply across the city and region.

Overall, the report shows that San Francisco has undergone some important changes in recent decades. On one hand, the city's housing stock continues to include a diverse mix of building types and forms of tenure, and the majority of its renter-occupants live in residential units that are protected under the City's Rent Control Ordinance or are targeted towards low-income households. As a result, low-income residents who have resided in their rent-controlled units for many years, or who have been able to secure a deed-restricted

affordable residential unit face relatively low housing cost burdens. However, the older rental stock has experienced strong market pressures from rising housing costs, as households who have moved into those units more recently have been disproportionately higher income.

In recent years, San Francisco has added new housing units at a pace not seen in the city in decades, and a significant number of these units have been targeted to lower income households. However, recent production has not matched employment growth or growth in higher income households, follows decades of low production, and is in a regional context in which neighboring jurisdictions have substantially slowed housing production relative to past decades and have recently built minimal amounts of housing relative to new jobs.

Changes in occupancy in the older housing stock have been driven by a significant growth—locally and regionally—of high-wage jobs. As a result of these economic trends, San Francisco has seen a large growth of high-income households and a reduction of low- and moderate-income ones (along with modest gains in extremely low- and above moderate-income households). The Executive Summary highlights several of these changes, which are explored in more detail in the full report. In addition to the drop in low- and moderate-income households in San Francisco, this report shows that the city has also experienced substantial losses in its African American population, as well as low and moderate income households with children and other key demographics.

CLASSIFYING INCOMES AND HOUSING COSTS

In order to adequately compare changing incomes across time, the analysis in the following sections inflated incomes and housing costs to 2015 dollars using the US Bureau of Labor Statistics' Consumer Price Index for all Urban Consumers (CPI-U). The aggregation of households into AMI levels is done using 2015 AMI levels as defined by the San Francisco Mayor's Office of Housing Maximum Income by Household Size derived from the Unadjusted AMI for the Department of Housing and Urban Development (HUD) Metro Fair Market Rent Area (HMFA) that contains San Francisco. Cost burdens were calculated on unadjusted income and housing costs.

For more information on this report, contact:

The report includes a substantial amount of data and analysis not included in this Executive Summary. It describes the city's physical housing stock, how it has changed over time, its geographic distribution, and trends related to vacancy, affordability, production, and other characteristics. The report also analyzes changes in recent decades to San Francisco's population in terms of income, race/ethnicity, household composition, age, and disability status, and how these changes have interacted with the city's housing stock.

The research in the Report draws from secondary data sources such as U.S. Census and Zillow; primary data from City departments such as Planning, the Rent Board, the Mayor's Office of Housing and Community Development, and others; and an original survey of more than 4,500 San Franciscans. The Report is intended to serve as a resource for ongoing policy and planning work regarding housing policy for the City and County of San Francisco. The results of this work will provide valuable information as the Department embarks on a Housing Affordability Strategy, starting in summer 2018.

San Francisco Housing Needs and Trends

A high percentage of the city's rental stock is subject to rent control and provides relative affordability for low and moderate income households with tenures of greater length. Income-targeted affordable housing provides homes for a smaller segment of low and moderate income households. Households that moved into rent controlled units recently are much more likely to be higher income than in the past, tracking broader changes in the city.

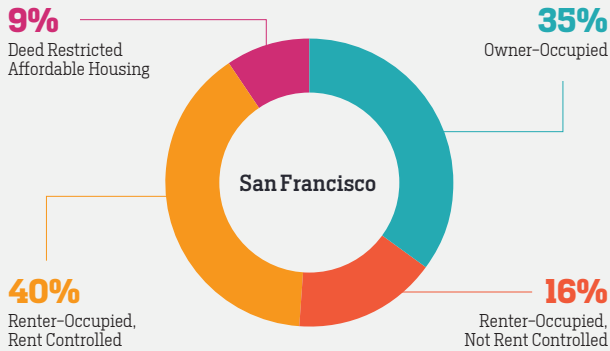
- A significant majority of San Francisco's households (65%) rent their place of residence; a much higher share than the region overall (45%). The majority of homeowners earn more than 120% of AMI while the majority of renters earn less than 120% of AMI.
- More than 60% of renters live in housing that is subject to the City's rent control ordinance. The rent controlled stock¹ serves a large percentage of low and moderate income households, though that is eroding over time, as households who have moved more recently into rent-controlled units are disproportionately higher income. [See Figures 1 and 2.](#)
- In 2015, almost 100,000 out of San Francisco's estimated 160,000 rent-controlled units (which includes deed-restricted affordable units built before 1980) are rented at rates that would be affordable to households earning less than 80% AMI. In 1990, more than 140,000 of rent-controlled units were affordable to those households.
- Units rented in the previous 2 years, show the erosion of affordability of the city's rent controlled stock. Whereas in 1990 a substantial majority of all recently rented rent-controlled units were rented at rates affordable to lower income households, by 2015, only 10,000 such available units were affordable to those households. [See Figures 3 and 4.](#)
- While most San Franciscans live in units rented or purchased through the market, 9% of households live in more than 33,000 affordable housing units where rents and sale prices are set to be affordable at low and moderate income levels.
- Five neighborhoods in the eastern part of the city hold 60% of all of the city's affordable units, including Tenderloin (18%), South of Market (12%), Western Addition (11%), Bayview Hunters Point (11%), and Mission (8%). [See Map 1.](#)

San Francisco has a relatively even mix of building sizes, however, most buildings with high unit counts (20 or more units) are clustered in the northeastern part of the City while the southern and western neighborhoods are dominated by single-family homes.

- Compared to the rest of the Bay Area, San Franciscans are much more likely to live in multifamily housing, with a fairly even distribution of households living in single family homes and buildings with 2-4 units, 5-19 units and 20 units or more.

¹ Unless otherwise noted, the rent-controlled stock is estimated as the number of renter-occupied units in multifamily buildings built before 1980 reported by the U.S. Census. This total includes at least 10,000 subsidized affordable units built before 1980, as well as an unknown number of rented condominium units.

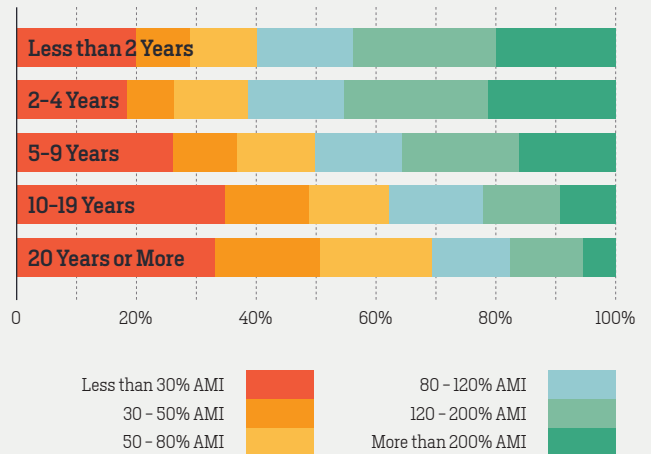
FIGURE 1.
Tenure of Occupied Housing Units in San Francisco, 2015



NOTE: Rent controlled units are estimated using the American Community Survey (ACS) estimates for renter-occupied units in multifamily buildings constructed before 1980. Income-targeted affordable units built before 1980 reported by the Mayor's Office of Housing and Community Development (MOHCD) were subtracted from the rent controlled total. Affordable units built after 1980 were subtracted from the ACS estimates for renter occupied units built in 1980 or after and classified as renter-occupied, non-rent controlled.

Source: Planning Department calculations of data from the ACS (IPUMS-USA) and MOHCD

FIGURE 2.
Length of Tenure for Residential Multifamily Rental Units Built Before 1980 by Income Group in San Francisco, 2011-2015



NOTE: Residential Units in Multifamily Buildings Built Before 1980 provide a rough estimate for units subject to Rent Control Ordinance. However, at least 10,000 subsidized affordable units built before 1980 are included in this count, as is an unknown number of rented condominium units.

See note about "Classifying Incomes and Housing Costs" on page 1.

Source: American Community Survey (IPUMS-USA)

FIGURE 3.
Number of Residential Multifamily Rental Units Built Before 1980 Affordable by Income Level in San Francisco, 1990 - 2015

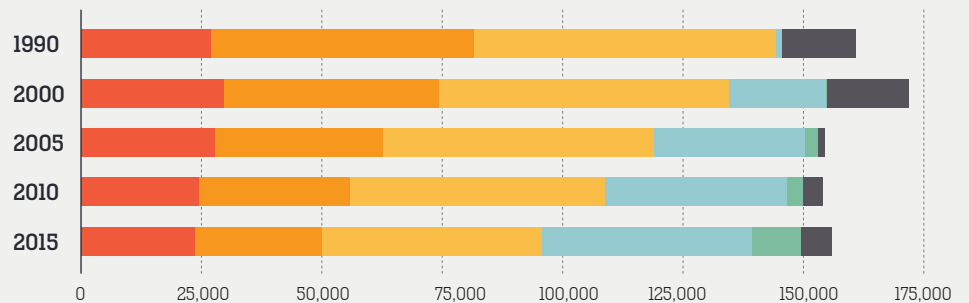
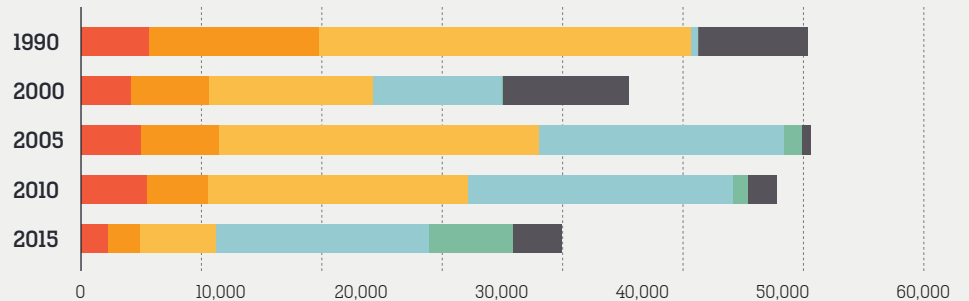
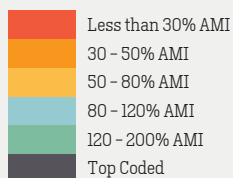


FIGURE 4.
Number of Residential Multifamily Rental Units Built Before 1980 Rented in Previous 2 Years Affordable by Income Level in San Francisco, 1990-2015



NOTE: Residential Units in Multifamily Buildings Built Before 1980 provide a rough estimate for units subject to Rent Control Ordinance. However, at least 10,000 subsidized affordable units built before 1980 are included in this count, as is an unknown number of rented condominium units.

See note about "Classifying Incomes and Housing Costs" on page 1.

Source: Decennial Census (2000 and 2010) and American Community Survey (2015) (IPUMS-USA)

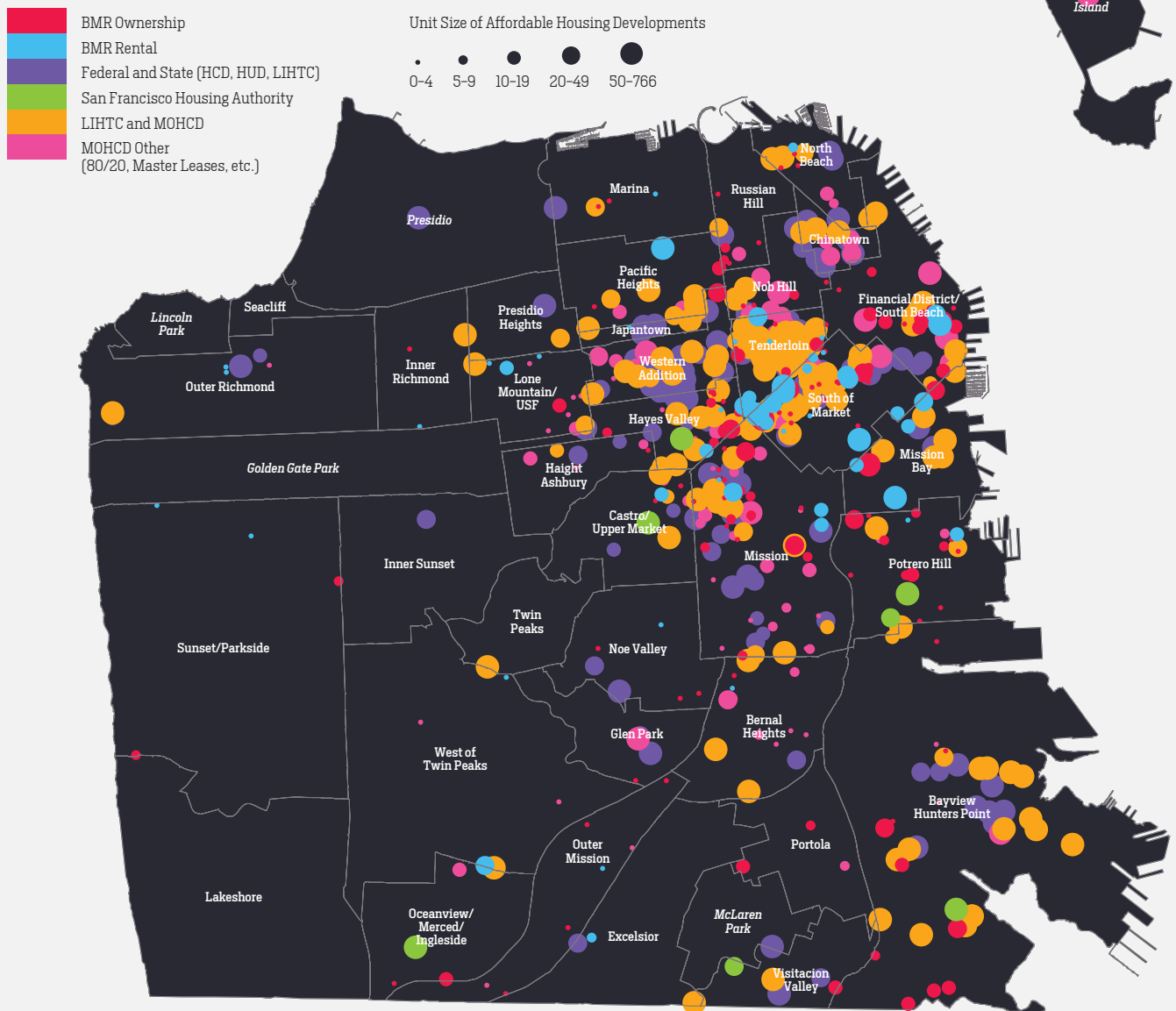
TABLE 1.
Number of Residential Units and Land Area per Unit by Building Size

Building Size	Units	% of Total	Total Land Area (acres)	% of Total
20+ Units	115,888	32%	973	10%
5-19 Units	72,663	20%	871	9%
2-4 Units	77,529	21%	2,016	20%
Single Family	96,099	27%	6,334	62%
TOTAL	362,179	100%	10,195	100%

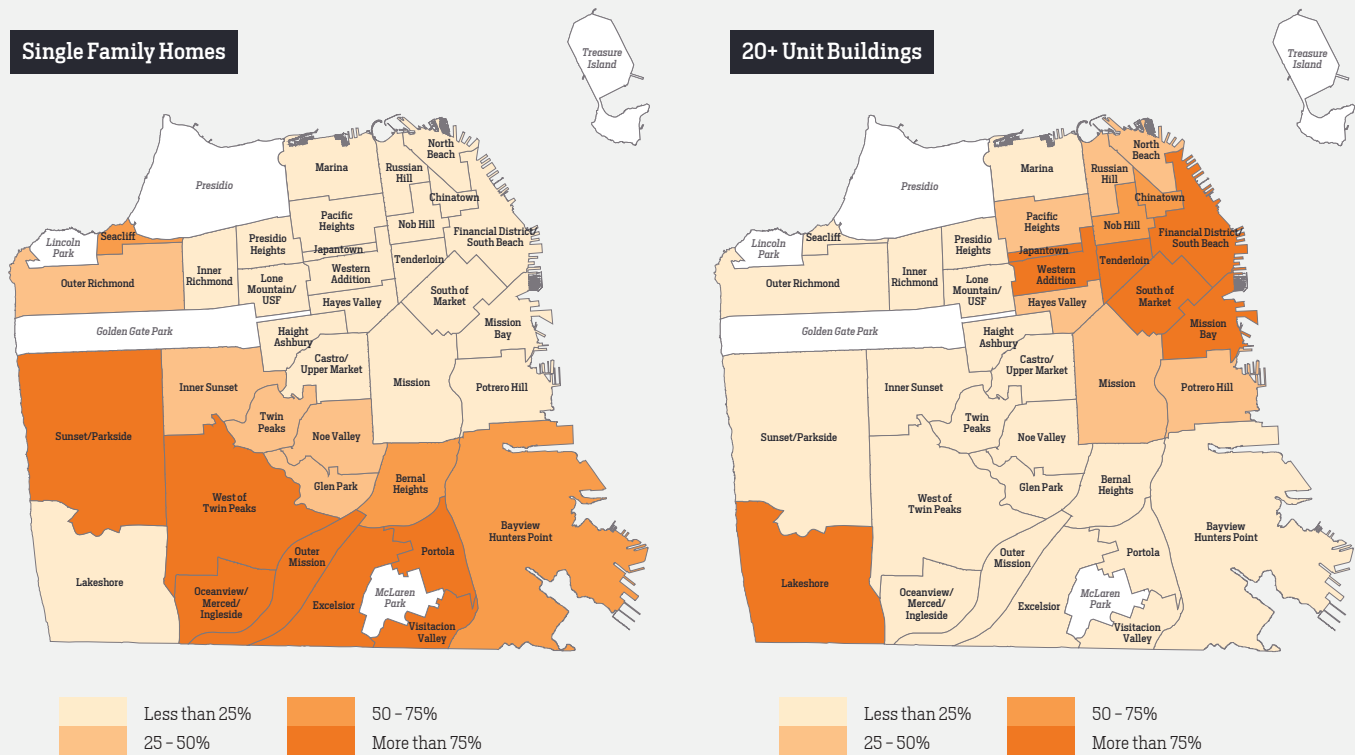
Source: San Francisco Planning Department Land Use Database

- Similarly, San Francisco has a relatively even distribution of units of various sizes (by number of bedrooms), whereas a majority of units in the Bay Area have 3 or more bedrooms. Building size and unit size correlate negatively, with smaller buildings such as single family homes holding larger units, and vice versa. [See Map 2.](#)
- Buildings with more than 5 units contain 52% of the city’s units while occupying only 19% of the land. Single-family homes provide 27% of the city’s units while occupying 62% of its land area. [See Table 1.](#)

MAP 1.
Location of Affordable Housing Units in San Francisco by Type and Number of Units Per Building, 2018



MAP 2.

Distribution of Building Sizes Across Neighborhoods in San Francisco, 2016

Source: San Francisco Planning Department Land Use Database

San Francisco's new housing construction has averaged 1,900 new units per year since 1990 though the recent rate has increased substantially (to more than 5,000 in 2016 and an average of 4,000 between 2014-2017).

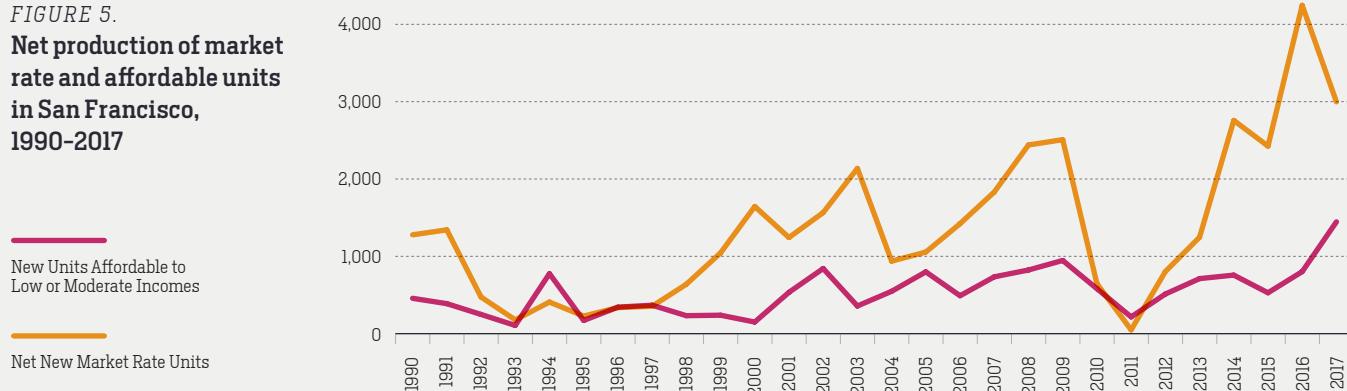
- Of all units built since 1990, 28% have been affordable to low and moderate-income households. The city added 25,000 more above-moderate income households than units constructed since 1990. The number of low and moderate income households declined since 1990 though the city built 12,881 affordable homes during this time. [See Figure 5.](#)
- Affordable and market rate housing development have generally ebbed and flowed together. This may be in large part because new market rate housing has been a major source of funding and construction of affordable housing.

San Francisco has gained high income households while the number of low- and moderate-income households has dropped.

Housing cost burdens worsened for all but the highest income households.

- San Francisco has seen the number of above-moderate income households earning more than 120% of Area Median Income (AMI) triple since 1990, a larger increase than the region, which also experienced a substantial increase in this income group. The vast majority of this growth (82%) in San Francisco was in high income households earning 200% or more of AMI.
- The number of low and moderate income households earning less than 120% of AMI dropped more in San Francisco than in the region. This change may be due to households increasing their earnings or it may be because more of these households have left the city, or a combination of both.
- More of the city's low and moderate income households are living in large multifamily buildings of 50 units or more compared to 1990.

FIGURE 5.
Net production of market rate and affordable units in San Francisco, 1990-2017

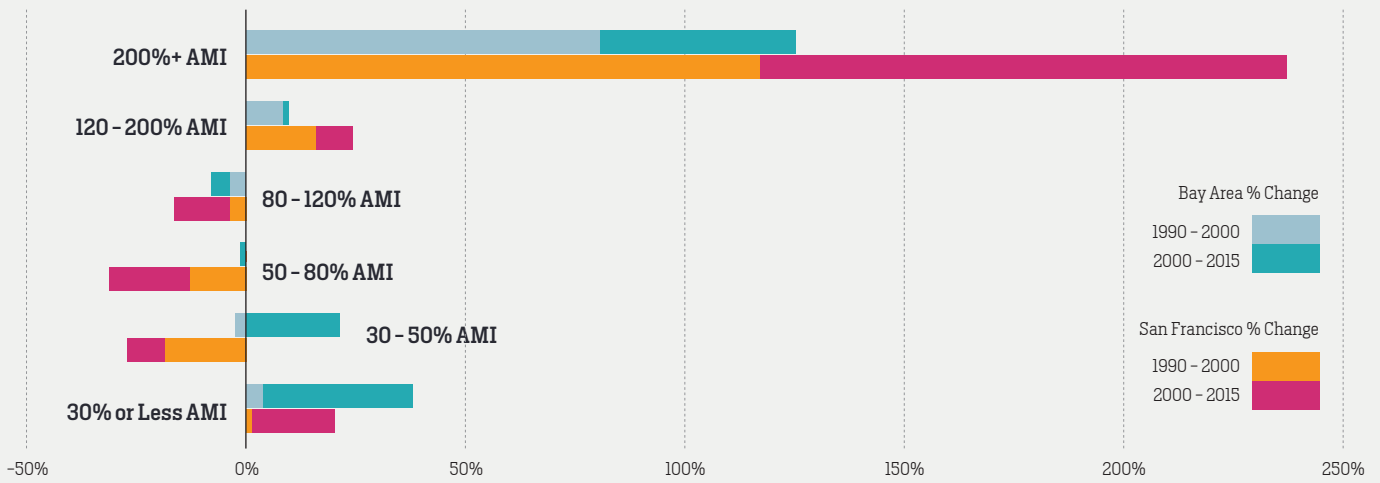


Source: San Francisco Planning Department Housing Inventory

- San Francisco gained extremely low-income households (earning 30% AMI or less), in contrast to other low and moderate income groups, but the growth of extremely-low income households in the city has been slower than in the region. [See Figure 6.](#)
 - The number of workers who work and live in San Francisco is at an all-time high at almost 500,000.
 - The majority of the increase in workers in San Francisco has been driven by growth in workers earning more than \$100,000 per year, however, workers earning less than \$75,000 continue to be the majority of workers in San Francisco. [See Figure 7.](#)
 - A declining share of lower wage workers in San Francisco are able to live in the city while a growing share of the city's higher wage workers live in the city.
 - Housing cost burden has increased for renters and owners of all income groups, but very low-income households experienced large increases in severe cost burden since 1990. Above-moderate income households now face rent burden, which they did not in 1990. [See Figure 8.](#)
 - Extremely low income (earning less than 30% of AMI) and very low income (earning less than 50% of AMI) continue to be the overwhelming majority of households facing cost burdens—particularly severe cost burden consuming 50% or more of income.
 - Cost burdens for low and moderate income households worsened even as the number of these households declined.
 - People of color are more likely to be housing cost burdened with more than 40% of Black, Asian/Pacific Islander, and Latino renters cost burdened and more than 20% of these renters severely cost burdened. While owners overall are less cost burdened, homeowners of color are more likely to experience cost burden.
- San Francisco has undergone additional demographic changes along with changes in households by income including loss of the Black population and households with children.**
- The Black population in San Francisco has reduced by half, a more rapid decline than the change in the Bay Area, which has also lost Black population.
 - The number of households with children declined in San Francisco between 1990 and 2015 while the number in the region grew. Households with multiple children were particularly affected.
 - More lower income households with children are living in multifamily buildings than their higher income peers.
 - San Francisco exceeded the region in the rate of growth for couple households (without children or other family members) and roommate households. These households are also more likely to be higher income as they are able to combine incomes from multiple working household members.

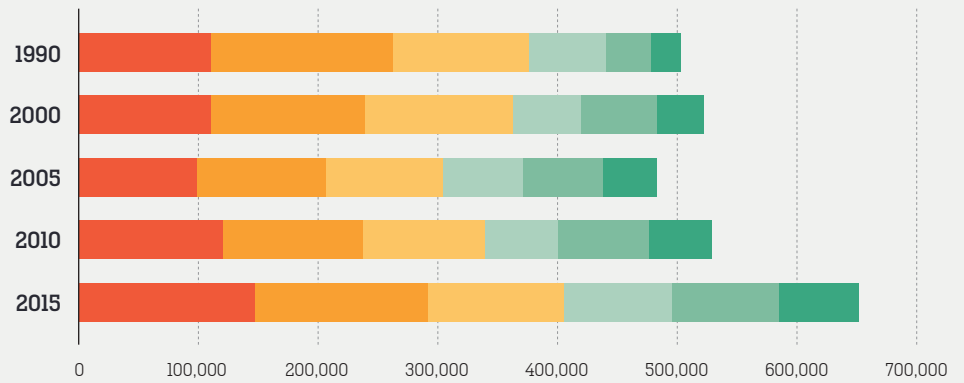
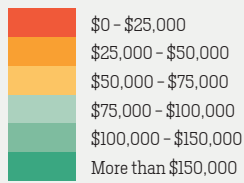
FIGURE 6.
Cumulative Percent Change in Number of Households Since 1990 by Income Group in 2000 and 2015, San Francisco and Bay Area

Source: Decennial Census (2000 and 2010) and American Community Survey (2015) (IPUMS-USA)



See note about "Classifying Incomes and Housing Costs" on page 1.

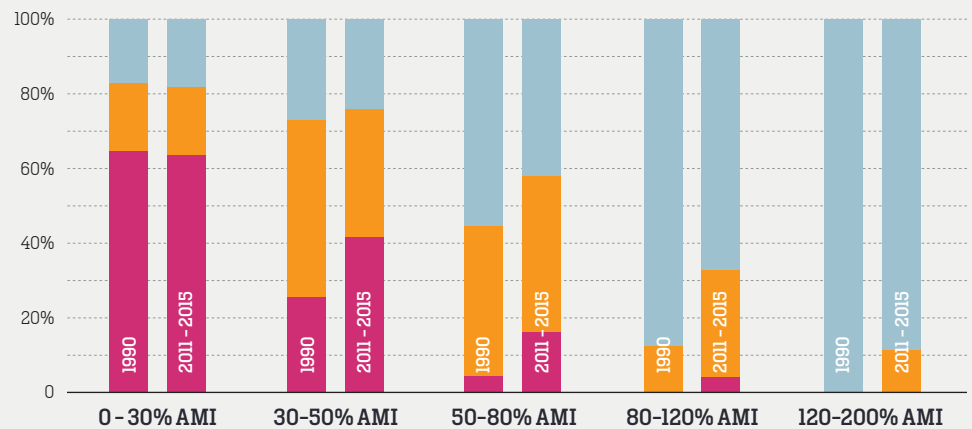
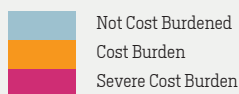
FIGURE 7.
Number of Workers in San Francisco by Wage Group, 1990 - 2015



See note about "Classifying Incomes and Housing Costs" on page 1.

Decennial Census (1990, 2000, 2010) and ACS (2005, 2015) (IPUMS-USA)

FIGURE 8.
Percent of San Francisco Renter Households that Are Under Rent Burden by Household Income, 1990 and 2015



Source: Decennial Census (2000 and 2010) and American Community Survey (2015) (IPUMS-USA)

See note about "Classifying Incomes and Housing Costs" on page 1.