



September 5, 2014

The Honorable Cynthia Ming-mei Lee
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street
San Francisco, CA 94102

Dear Judge Lee:

Pursuant to Penal Code sections 933 and 933.05, the following is in reply to the 2013-2014 Civil Grand Jury report, *The Mayor's Office of Housing: Under Pressure and Challenged to Preserve Diversity*. This letter represents the consolidated City and County of San Francisco reply of the Mayor's Office of Housing and Community Development, the Planning Department, and the Department of Building Inspection. We would like to thank the members of the Civil Grand Jury for their interest in housing availability and the work of the Mayor's Office of Housing and Community Development.

The conditions that shape San Francisco's housing market are unique. San Francisco is a land-constrained city of hills surrounded by water on three sides. Trailing only New York City, San Francisco is the second most densely populated major city in the United States. We are also proud of our history and environment, and we seek to protect the neighborhood architecture and diversity beloved by residents and visitors alike.

The City's strong economy over the past few years has affected the availability of affordable housing. In the past three years, the City's unemployment rate has been cut in half and 42,000 new jobs have been created. This robust economic growth has generated hundreds of millions of dollars in new revenue for San Francisco to fund vital public services. However, this increased prosperity has also escalated the price of housing as demand has increased.

San Francisco and other cities are largely on their own to manage an affordability crisis brought on by macro and local economic factors. With the dissolution of Redevelopment agencies by the State, San Francisco and other counties lost the primary engine of affordable housing development in California. At the federal level, there is a continuing lack of federal support for affordable housing outside of Low Income Housing Tax Credits. At the local level, San Francisco has taken important steps to address the crisis. In 2012, the voters authorized the Housing Trust Fund, which created a dedicated \$1.5 billion funding stream for affordable housing over the next 30 years. In addition, an additional \$50 million over the next two years has been budgeted to expedite and seed new projects throughout San Francisco, as well as \$2 million to rehabilitate vacant public housing units that will be reserved for homeless individuals and families.

Understanding the need for additional housing and development for over a decade, the City has planned for growth in our central core and eastern neighborhoods. The Planning Department drafted and the Board of Supervisors approved a number of award-winning area and redevelopment plans such as Market-Octavia, Eastern Neighborhoods, Rincon Hill, and the Transbay Redevelopment Plan to prepare for growth.

And our City has a plan to do more.

To address the City's housing shortage, and the resulting pent-up demand and price escalation, the Mayor has developed the following seven point housing plan, which aims to leverage the unprecedented growth that our City is experiencing in an effort to create housing opportunities for all, regardless of income.

1. Protect our residents from eviction and displacement. This includes reform of the Ellis Act.
2. Stabilize and protect at-risk rent-controlled units, through rehabilitation loans and a new program to permanently stabilize rent conditions in at-risk units.
3. Revitalize and rebuild public housing, by continuing HOPE SF commitments and improving thousands of other Housing Authority units.
4. Double downpayment loan assistance amounts, helping recipients address the upfront hurdles of becoming a homeowners.
5. Build more affordable housing faster, through additional funding and new tools to spread the burden of construction from the City to our private partners.
6. Continue to build market rate units, especially rental units, to address the demand crisis that has built up from years of inadequate housing supply.
7. Make construction of new housing easier. Increase staff and reduce processing times in City departments and provide affected neighborhoods the infrastructure needed to thrive with growth.

The cornerstone of this plan consists of the construction of 30,000 new and rehabilitated homes throughout the City by 2020.

- At least 10,000 homes will be permanently affordable to low income (up to 80% of median income, currently \$77,700 for a family of four) and moderate income (less than 120% of median income, currently \$116,500 for a family of four) families.
- The majority will be within financial reach of working, middle income San Franciscans (up to 150% of median income, currently \$145,650 for a family of four).

With roughly 376,000 existing housing units in San Francisco, an increase of 30,000 units represents a significant addition to the City's housing stock. By ensuring that the majority of these new units are affordable to a wide range of individuals and families, San Francisco's economic diversity will be maintained.

A significant component of the Mayor's seven point housing plan is the preservation of San Francisco's public housing. By combining federal, local and private investments, San Francisco will complete badly needed repairs to over 4,000 dilapidated public housing units over the next three years. This will improve living conditions for over 10,000 residents who must now wait weeks for basic repairs in their homes due to decades of chronic federal underfunding and local mismanagement. These measures expand and enhance our HOPE SF program — an ongoing effort that will replace approximately 2,000 units of distressed public housing with new, vibrant, mixed-income communities while providing extensive support services for public housing residents. While these units do not add to the overall housing stock for the City, we will lose these affordable units if nothing is done. That is why the rehabilitation of affordable public housing is a major part of my 30,000 unit plan.

These new opportunities will add to the existing programs and assistance provided to protect San Francisco's character and care for its residents, including, among others: single-family home repair and lead abatement programs; capital financing and rental subsidy assistance for homeless households and persons living with HIV/AIDS; a below market-rate inclusionary housing program (rental and ownership); and homeownership counseling and foreclosure intervention services.

Additionally, this November, voters will have the opportunity to endorse our housing plan as City policy. If approved, this consensus initiative will ensure we develop a funding plan to address our City's housing crisis and protect against any hurdles that may impede our housing production progress. I look forward to working with Supervisors Jane Kim and London Breed, the entire Board of Supervisors, housing advocates, builders, and residents on future strategies and legislation that will advance our City's housing goals and strengthen our diverse neighborhoods.

The following response stems from the Jury's suggested improvements. We appreciate the recognition that "the Mayor's Office of Housing and Community Development has a good reputation as an innovative and effective agency for developing affordable housing." On the whole, the Jury's report was well balanced and City Departments are in the process of implementing many of the reported suggestions.

The consolidated response of the Mayor's Office of Housing and Community Development, Planning Department, and Department of Building Inspection to the Civil Grand Jury's findings and recommendations is as follows:

Finding 1:

Housing development in the last decade has fallen far short of regional need targets. New production overwhelmingly delivered market rate units despite housing need targets for a broader income spectrum. This has reduced the number of housing opportunities affordable to the majority of citizens.

Agree. While true, it is important to note that San Francisco has developed proportionately more new housing than other local jurisdictions.

Recommendation 1:

The Jury recommends the Board of Supervisors convene a hearing this calendar year to review the final report from the Mayor's Housing Task Force and ensure that policy recommendations improve the relationship between Market Rate and Affordable Housing to reflect the economic diversity of the City, and include annual monitoring of regional housing achievement numbers as defined by the Regional Housing Needs Allocation and the Housing Element.

The recommendation has not been implemented, but will be by the end of 2014. MOHCD has coordinated with the Office of Economic and Workforce Development (OEWD) and the Planning Department to provide a summary memo to the Mayor outlining the initial progress of the Mayor's Housing Working Group. The Mayor's Office and OEWD will work with the Board of Supervisors to schedule an informational hearing to report on both the recommendations of the Group, as well as the status and timeline for implementation of procedural, legislative, and programmatic changes intended to facilitate the production of housing affordable to a diverse group of San Franciscans.

Finding 2:

Housing construction for middle income households is not meeting regional housing targets. Local government programs to address the situation are limited.

Agree.

Recommendation 2:

The Jury recommends that MOHCD articulate strategies to improve achievement of regional housing targets for Middle Income households and establish incremental targets by year. The Jury also recommends that MOHCD report annually to the Board of Supervisors on progress in achieving these targets and includes best practice research from other municipalities about Middle Income policy solutions.

The recommendation has been implemented. MOHCD has been working with OEWD and the Mayor's Housing Working Group (HWG) to address the funding gap for middle-income housing in San Francisco, which is increasingly underserved by the condominium/single-family home market and unable to access traditional affordable housing funding sources. Investigation of new funding streams, mixed-income development opportunities, local process improvements that promote middle-income housing, and best practices nationally is underway. MOHCD, OEWD, and the Planning Department will transmit a status report to the Mayor by September 2014, which will include progress toward the Mayor's tentative goal of creating 5,000 middle-income units. Middle income is defined by the HWG as housing serving households at and between 80% and 150% of AMI, in consideration of the fact that 150% AMI households face an affordability gap in many San Francisco neighborhoods. [Note: the Civil Grand Jury defines middle income as 50-120% AMI.]

Finding 3:

Housing Authority properties may require stabilization funds or other gap financing measures to successfully enable the public-private partnership strategy agreed to by stakeholders in the re-envisioning plan. The City's Housing Trust Fund could be used to provide funding resources to help support the Re-envisioning plan.

Agree.

Recommendation 3:

The Jury recommends that as Housing Trust Fund (H11.) funds are allocated to Housing Authority properties, MOHCD and the Mayor document a funding analysis for the allocation and the impact these disbursements may have on MOHCD Affordable Housing goals and programs to the Board of Supervisors and the public in the year of encumbrance. Reports should include annual updates on repayment.

When funds are encumbered, this recommendation will be implemented at the end of Fiscal Year 2014-15. The status of public housing's role as "housing of last resort," combined with the severity of the deferred maintenance conditions in San Francisco's public housing units makes their repair and preservation a critical component of our City's housing policy. If these units are lost due to inhabitability, homelessness for public housing residents becomes a real threat. Stabilization of public housing fits squarely within the goals of the Housing Trust Fund and all other MOHCD funding sources that permit rehabilitation of low-income housing as an eligible use. MOHCD will provide a report regarding the uses of its Housing Trust Fund and other resources allocated to public housing at the end of the year of encumbrance. MOHCD will include in such reports all relevant information regarding repayments.

Finding 4:

Public information on the City's affordable housing strategy and operations is difficult to find on the MOHCD website. News, reports, and documents related to agency responsibilities are scattered or posted under obscure sections. Many documents and links are outdated and the site is poorly organized for seeking portfolio, project activity, and operational reporting information.

Agree.

Recommendation 4a:

To keep the public and the Board of Supervisors informed on a timely basis, the Jury recommends that the MOHCD website be made much more user friendly with improved navigation and better public access to content.

This recommendation is already being implemented. The revamping of MOHCD's website for more user-friendly access is underway. The starting point for this process has been tracking the frequency of calls MOHCD receives from people looking for information that can be found on the website. This information helps identify what information people are most interested in and what is most difficult to find. MOHCD has also reviewed the website's page view counts to determine which are most and least viewed. This research will inform the new, more navigable MOHCD homepage, scheduled to go live by October •014. The full reorganization of MOHCD's website is anticipated to be complete by March 2015.

Recommendation 4b:

The Jury recommends that MOHCD immediately designate a website manager responsible for technical design and ease-of-use, plus content management including timely posting of documents and metrics reports that are in the public interest.

This recommendation is already being implemented. MOHCD currently has a website manager who will manage website improvements. The deployment of a new content management system is anticipated in 2015, which will enable delegation of website updates directly to program staff, facilitating more timely posting of documents and news.

Finding 5:

MOHCD has not provided consistent, timely, or easy-to-read documentation on the City's Affordable Housing strategy, goals, and progress, and has not published an Annual Report since 2009.

Agree.

Recommendation 5a:

The Jury recommends MOHCD publish an Annual Report on their website by March of each year. This report should be oriented to a general audience and include information highlights and measures that communicate achievement towards City Affordable Housing program goals.

The recommendation has not been implemented, but is in progress, and will be implemented by December 2014. MOHCD is in the process of producing an Annual Report that includes metrics through FY 2013/2014. While MOHCD is committed to producing an annual report, the intent is to publish it based on fiscal year metrics, which will result in a December publication date.

Recommendation 5b:

The Jury recommends MOHCD publish a quarterly Affordable Housing Pipeline Report within a month of each quarter's closing. This may be done within the Planning Department's Quarterly Pipeline Report, but should also include quarterly Affordable Housing program progress highlights.

The recommendation has not been implemented, but is in progress, and will be implemented by December 2014. MOHCD is working with the City's Chief Data Officer and the Planning Department to streamline reporting of pipeline projects, including 100°/0 affordable projects, as well as projects developed through the City's Inclusionary Housing Program and the former Redevelopment Agency's Below Market Rate program. In order to align with the Planning Department's reporting, MOHCD will publish a semi-annual (rather than quarterly) pipeline report. The Planning Department currently produces a pipeline report which is available on its website; the information is also provided to SF Open Data. The Planning Department is committed to highlighting affordable housing projects within these reports. In addition, the Planning Director includes the pipeline report in his weekly written report to the Planning Commission.

Finding 6:

MOHCD lacks discipline in posting and providing website access to their Affordable Housing metrics and program results reporting.

Agree.

Recommendation 6a:

MOHCD needs to track and publish metrics with greater frequency using measures based on pipeline and HUD CAPER reporting that help the public to assess the progress of their new development and Housing Support Program efforts.

The recommendation has not been implemented, but will be implemented within a year. MOHCD will track and publish housing measures based on pipeline and HUD CAPER reporting data on its website on a quarterly basis within a year.

Recommendation 6b:

MOHCD should work with the Planning Department to formulate a Memorandum of Understanding (MOU) specifying timing and responsibility for the preparation and publication of Affordable Housing pipeline data in the Quarterly Pipeline Report. A new report commonly referred to as The Dashboard should be completed. An effort to publish these reports on SF Open Data should be prioritized.

This recommendation will not be implemented, as it is not warranted. While MOHCD is supportive of the idea of increased transparency in regular reporting of metrics, the publication of a Quarterly Pipeline Report does not require a formal MOU with the Planning Department. Separately, the "Dashboard" report is a legislated reporting requirement to be implemented by the Planning Department, and relates to the percentage of affordable units that have been entitled, rather than financed. Information to produce the Dashboard is based on data gathered and monitored by the Planning Department, not MOHCD.

Recommendation 6c:

MOHCD should establish a metric for accounting public contributions per development project. This financing leverage measure should be reported in the MOHCD Annual Report by project type.

This recommendation will be implemented upon publication of the annual report. MOHCD will include in its annual report the amount of City funds allocated to specific developments, the amount of external funds the City funds leveraged, and the ratio of City funds to each project's total development cost, so that the leveraging efficiency of City funds can be compared and measured.

Finding 7:

Project phase documentation related to MOHCD new development projects are not readily available for public inspection.

Agree.

Recommendation 7:

The Jury recommends MOHCD use their website to post up-to-date housing development project information and provide access to key milestone documents as is done on the Boston Redevelopment Authority website.

This recommendation will be implemented by June 2015. Upon completion of its website redesign and reorganization, MOHCD plans to add functionality with development project information modeled on the Boston Redevelopment Authority's website as well as other similar examples. The anticipated completion date is June 2015.

Finding 8:

MOHCD's current procedures for marketing BMR units place too much burden upon developers without sufficient guidance. Additionally, results of marketing campaigns are not regularly evaluated for effectiveness.

Agree in part, disagree in part. While MOHCD agrees that the effectiveness of each developer's BMR marketing and outreach plan needs more extensive evaluation following the marketing period, the department disagrees with the notion that it does not provide its inclusionary housing developers with adequate marketing templates and guidance. Each developer is provided with a six page step-by-step guide to marketing, lottery, and application requirements in addition to a list of approved community-based consultants that the developer may engage.

Recommendation 8a:

The Jury recommends MOHCD provide developer partners with more comprehensive materials in the marketing template, including model BMR program marketing plans, advertising samples, marketing templates in multiple languages, directories of approved consultant and public agency partners, and training materials including web delivered training videos, to set clearly understood minimum standards for outreach.

This recommendation will be implemented by 2015. As mentioned in the response to finding eight, each developer is provided with a six page step-by-step guide to marketing, lottery, and application requirements in addition to a list of approved community-based consultants that the developer may engage. The template outreach flyer will be translated and incorporated into the marketing template packet by January 2015. In an effort to improve the training of developers and their agents in the lease up and sales procedures of a BMR unit, MOHCD is in the process of redesigning its training curriculum to include video modules by June 2015.

MOHCD is currently reviewing all marketing requirements across all housing programs in an effort to gain consistency around outreach and marketing procedures. One of the improvements already implemented is a new requirement of developer partners that they begin certain outreach activities at the beginning of construction (rather than closer to lease-up) thus providing San Franciscans with more time to establish their qualifications for the affordable housing opportunity.

Recommendation 8b:

The Jury recommends MOHCD implement regular evaluations of marketing effectiveness and marketing materials by surveying applicants to indicate source of notification by housing opportunity.

This recommendation will be implemented along with the rollout of the new MOHCD online application system. MOHCD welcomes the suggestion to improve the evaluation of marketing effectiveness by surveying program participants and will incorporate that question in its applications upon the rollout of its new online application system.

Finding 9:

The process of applying for an affordable housing opportunity is poorly explained and not easily managed on the current MOHCD website. Significant burdens are placed on applicants to manage individual applications for each opening through the process. Similarly, substantial cost and processing burdens are placed on developer partners using inefficient tools to comply with MOHCD procedures. As the portfolio of affordable housing properties grows, economies of scale will be required.

Agree.

Recommendation 9a:

MOHCD should provide applicants clear, concise materials on the application process, and conduct and evaluate applicant feedback satisfaction surveys after each new major development project comes on-line.

Recommendation 9b:

MOHCD should prioritize the completion of its Single Family Program Data and Administration System. MOHCD should measure and report on the cost effectiveness of process improvements and efficiencies from implementation of this system in its annual report.

Response to Recommendations 9a & 9b:

These recommendations have been partially implemented and will be completed in the future.

MOHCD has prioritized the completion of its Database of Affordable Housing Listings, Information, and Applications (DAHLIA) system. The Salesforce-based data system is due to launch this Fall. DAHLIA will allow Inclusionary BMR applicants to log on, create an account, and apply to multiple housing opportunities without having to recreate their entire application. The system will also be completely transparent, allowing developer and lending partners to track the lease/sales process and enter information regarding the lottery in order to keep applicants better informed of the process through their individual account. Clear, concise information will outline the process. MOHCD welcomes the suggestion to evaluate applicant feedback satisfaction surveys through its new data system and will report on the creation and implementation of the new system in its Annual Report.

Finding 10:

MOHCD does not provide clear and concise expectations to project partners with regard to broad community outreach and the impact of applicant denials to BMR program goals. This can create potential impediments to fair housing choice for underrepresented ethnic groups.

Agree.

Recommendation 10a:

The Jury recommends MOHCD work to improve the ethnic diversity of residents in their BMR programs and monitor progress in mitigating any institutional barriers to fair housing choice. Data on representational statistics should be collected and evaluated at regular intervals, preferably every 2 years. Any statistical disparities should be reported to the Board of Supervisors.

This recommendation will be implemented in the MOHCD 2015 annual report. MOHCD is collecting statistical data on an ongoing basis and agrees with the suggestion to report statistical disparities of BMR residents to the Board of Supervisors beginning with its 2015 annual report.

Recommendation 10b:

The Jury recommends MOHCD work with developer partners to standardize criteria used for BMR rental application denials. Strategies to reduce minimum down payment requirement denials for BMR ownership units should be given consideration.

This recommendation will be implemented in 2015. In the Board of Supervisor's next revision of the BMR Procedures Manual, MOHCD plans to suggest the adoption of more specific and standardized marketing and rental eligibility requirements focusing on credit and criminal background and other screening criteria. MOHCD is currently targeting June 2015 for these updates. Additionally, underwriting criteria for all Downpayment Assistance Loan Programs (DALP) has been modified to minimize barriers including reducing the amount of cash a household needs to have to purchase through DALP.

Finding 11:

Errors in identifying inclusionary housing projects can affect the creation of BMR compliance plans. Issues with data accuracy from the Planning Department and the Department of Building Inspection impact the ability of MOHCD to approach inclusionary developers in a timely manner.

Agree.

Recommendation 11•

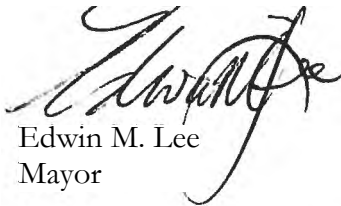
The Jury recommends that the Planning Department and the Department of Building Inspection make internal process changes to improve the accuracy of data tagged as a new Affordable Housing project under the Inclusionary Housing Program.

This recommendation is in the process of being implemented and will be fully met in 2015.

MOHCD is working with Planning's Housing Ombudsperson, as well as with OCII's Housing Program manager, to improve the quality and accuracy of data reported to MOHCD related to fees and requirements of the Inclusionary Housing Program. This includes a more efficient means to track the number and location of required units, as well as automatic indexing of required fees. Planning and OCII provide this data to DBI when applicable affordable housing projects are routed to DBI for the review of building permits and structural, and mechanical plans. Once verified by Planning or OCII, such affordable and inclusionary housing projects are assigned DBI priority designation, moved to the top of the plan review queue, and tracked on DBI's Priority Housing Project list. The new Permit and Project Tracking System, scheduled to go live in the second quarter of FY 2014-15, will significantly improve DBI's ability to quickly and accurately identify projects that qualify for priority designation. Thus the Grand Jury's recommendation is anticipated to be fully met by the third quarter of FY 2014-15.

Thank you again for the opportunity to comment on this Civil Grand Jury report.

Sincerely,



Edwin M. Lee
Mayor



Kate Hartley for Olson Lee
Mayor's Office of Housing and Community Development



John Rahaim
Planning



Tom Hui
Building Inspection