



Local Financing of Supportive Housing in San Francisco

The City and County of San Francisco has been focusing on supportive housing for ending long-term homelessness since the mid-1990's. Much of the city's investment in supportive housing has come from dedicated financing sources, included a general obligation bond issued by the city and a dedicated portion of the city's hotel tax.

History

Establishing public financing of supportive housing in San Francisco was a gradual process of learning and change. First, in the mid-1990's, nonprofit developers who had been developing affordable housing for years told the Mayor's Office of Housing (MOH, the city's main affordable housing coordinating and funding office) that they needed funds to provide supportive services in housing they were already operating. The developers found that their property managers were having to do double duty, working both on property management and supportive services. Developer after developer found that despite their best intentions, they could not afford to provide any services for tenants from the cash flow of buildings. In addition, a coalition of local nonprofit housing developers (the Council of Community Housing Organizations) and homeless advocates (the Coalition for the Homeless) created a new nonprofit housing developer to focus specifically on supportive housing for people leaving homelessness. This new organization found ways to involve homeless people in the planning and implementation of buildings and service plans, but needed money to do its work.

Local social service agencies knew they needed housing for their clients – many of whom were homeless – and the housing agencies knew that their developers were asking for services funding for tenants, many of whom were unable to stay housed without it. In one particularly troubling instance that highlighted the absence of coordination, the city made a capital grant to a project for homeless people that did not ever get developed, largely because the developer approached the service agency for funding too late in the process, and none was forthcoming.

CSH's California program had recently started up, and its California Program Director (now CSH's CEO) began to serve as staff to the nascent group of city housing and services officials, ensuring that meetings were convened, notes taken, and follow up steps implemented. This group, which came to be called the "Pipeline Group," met for several years and incorporated into its work a primary focus on ensuring greater coordination of the housing and services financing of projects in the city's development pipeline. Eventually this group's work was superseded by that of other coordinating bodies, but it was the catalyst for the more streamlined process.

Throughout this period, many advocates and other groups in the city also encouraged San Francisco public officials to pay more attention to the long-term, systemic problems of homelessness. The mayor appointed a new staff person to focus on the issue of homelessness. This new staff person worked to influence San Francisco's housing agencies to fund more housing for homeless people. The city knew from experience that supportive housing in SROs could be a cost-effective resource for providing housing for homeless individuals, so the city's early efforts emphasized this housing model.

The final wave of change came a few years later, when the Director of San Francisco's Department of Public Health decided to create a new housing unit within her agency to concentrate on housing for frequent users of the city's public hospital emergency room, jail forensic services, and mental health facilities. These individuals generated significant costs to the city's general fund and were often unable to get into supportive housing due to long waiting lists or tenancy requirements of some buildings. She made the decision to hire a director of the unit from the city's housing agency whose experience was in housing development, not public health. He was able to hit the ground running, and within a short time started a new program (Direct Access to Housing, or DAH) that master-leased several large single room occupancy buildings from private owners, placed services on site, and provided housing for these "frequent users" of public services. The city's Department of Human Services created a similar program. Now, in addition to supportive housing being developed by non-profit agencies, the city expands its supply of supportive housing through these master-leasing agreements.

Implementation

With a new focus on supportive housing for the homeless, the city began to identify ways of funding this work. They turned first to the use of existing federal sources of funds identified in San Francisco's Consolidated Plan.¹ A more organized and focused approach to how the city was spending this money allowed funds from HOME, CDBG, and HOPWA to be spent on supportive housing.

The city also identified and set aside local tax dollars for supportive housing development. Some local redevelopment agency tax increment funds already dedicated to affordable housing development were spent on supportive housing projects. A portion of the existing hotel tax which was formerly dedicated to serving people with physical disabilities and seniors was shifted in 1995 to include a focus on those with mental illness and substance use issues. This hotel tax is paid by hotel guests on a per-night basis (at 14% of the room rate) and supports various arts, cultural, and tourist programs in addition to yielding between \$3 million and \$6 million per year for supportive housing development.

In November 1997, the voters of San Francisco approved a \$100 million general obligation bond for affordable housing. The bond was placed on the ballot after passage by the city's Board of Supervisors, as required by state law. Of the \$100 million, \$85 million was dedicated to multifamily rental housing, including supportive housing. As of April 2004, \$24.6 million had been spent on supportive housing for very low-income people who were homeless or at risk of homelessness, producing 592 units of supportive housing for this population. (For an independent analysis of the results of the bond, visit <http://www.spur.org/documents/HousingBond.pdf>).

The origin of this general obligation bond was again the community-based nonprofit housing development organizations, this time joined by the local faith community. The bond did not meet every funding need for supportive housing in the city, but it did provide the city with significantly more money than it had previously. The entire \$100 million bond was committed within four years, one year less than was projected during the planning for the legislation.

A similarly structured \$250 million bond was placed on the ballot in 2002. Although over 50% of voters approved of the bond issuance, the campaign did not achieve the necessary 2/3 vote. Opponents of the bond tried to convince the public that the proceeds from the 1996 bond were misspent and ineffective, contrary to independent analysis by a local public-policy think tank. They also said that nonprofit developers are inefficient at building affordable housing, which was also unsubstantiated.

A third \$200 million bond was placed on the November 2004 ballot with a 10-1 vote of the Board of Supervisors. This bond included \$90 million specifically earmarked for the development of supportive housing for those who have been homeless for the long-term. Supporters of the bond campaign include local politicians, the Chamber of Commerce, the popular Mayor Gavin Newsom, and nonprofit service providers. Again, the bond did not meet the required 2/3 vote of approval, falling approximately 5,000 votes short.

Lessons Learned

San Francisco's experience points to the need to recognize that the resources required to do supportive housing well are controlled by multiple agencies within city government and beyond. Supportive housing can often be constructed with the capital funding mentioned above, but services and operating still must be accounted for. In San Francisco, services funding comes through the city's Department of Human Services (DHS) (for case management services) and the Department of Public Health (DPH) (for substance use and mental health services). For a more detailed look at the complex web of financing supportive housing, as well as information on all of the main federal funding sources, please visit CSH's Financing Supportive Housing Guide at <http://www.csh.org/financing>.

At CSH's suggestion, MOH works at the staff level with DHS and DPH on planning supportive housing. MOH consults staff from its sister agencies about what requirements should be put into funding availability notices and applications. This involvement of DPH and DHS from the beginning of the process helps the cause of supportive housing because these agencies now know what new supportive housing is coming to the city. Additionally, these agencies provide MOH valuable assistance in evaluating the services component of proposed supportive housing programs. Staff of DHS and DPH are on the loan approval committee to determine which supportive housing construction projects are funded by the city. Similar coordination happens with the Section 8 staff from the San Francisco Housing Authority.

Of all of the sources detailed above, the city has found the hotel tax and bond funds to be the most flexible for use on supportive housing projects. HOME and CDBG funds are most useful for rehabilitation projects (as opposed to new construction) because of their implementation regulations and interaction with tax credit law. MOH staff notes that for other municipalities, the sources of dedicated funds for supportive housing will depend on local politics. For example, San Francisco has considered a real estate transfer tax to fund supportive and affordable housing development, but this effort has been consistently opposed by realtors. Many in San Francisco see the need for a similar dedicated funding source which does not have to go before the voters for approval every few years.

MOH also urges other municipalities to recognize that “it takes all kinds of supportive housing to serve the community. Cities must be open to all members of the community who need supportive housing. No one model is going to work. San Francisco has housing for people who are struggling with substance use who can stay in that place as long as they don’t harm themselves or others. On the other hand, the city also has housing that is clean and sober and there are many people who want that” (Joel Lipski, MOH Housing Development Director).

Information about San Francisco Mayor’s Office of Housing is located on the web at http://www.sfgov.org/site/moh_index.asp

¹ The Consolidated Plan is a long-term housing plan that controls access to HUD funds used to expand affordable housing opportunities. It is a five-year comprehensive housing strategy, which is updated annually in a one-year action plan. For more information, see <http://www.csh.org/index.cfm?fuseaction=page.viewPage&PageID=3339>