# Hacking San Francisco's Housing Crisis:
## A Response to the Supply Siders' "Solution"

Fernando Martí, Council of Community Housing Organizations
October 2014

***Synopsis:*** *The success of design or social innovation "solutions" to San Francisco's housing crisis will depend on a framework for housing affordability that addresses fundamental issues underpinning the practical realities of achieving Housing for All. That housing framework should address four fundamental questions: 1) the BALANCE of housing affordability that the City should be compelled to maintain; 2) ways to take housing out of the speculative market and under the OWNERSHIP and control of tenants and communities; 3) dedication of surplus public LAND for deeply affordable housing, and market incentives linking any value added through zoning changes to increased affordability; and 4) new private and public financing mechanisms, including dedicated private CAPITAL, pension funds, and the creation of a municipal community development bank. We face a choice: do we let the market continue to lead us down a path toward a segregated urban region, or do we prioritize public investment and market regulations to build out our dense, mixed-income, human-scaled, and transit-oriented neighborhoods? If we can't move beyond the ingrained ideologies that lead us down paths of false solutions, all our creative innovations will be reduced to simple marketing or consumer niches trapped within the same market dependencies rather than systematic changes that result in meaningful public policy solutions.*

### From False to Necessary Solutions

In the Climate Justice movement we talk about "False Solutions" and "Necessary Solutions." We cannot get to real solutions without exposing the ideologies that lead us down the path of false solutions, like the idea that a nation of hybrid car owners will get us to the necessary solution of climate change adaptation. False solutions are the darlings of politicians and profit makers, who wish to appear like they are doing something, when in fact leaving the fundamental profit motives unchanged.

Underlying any solution to the housing crisis are questions of BALANCED DEVELOPMENT, OWNERSHIP, LAND, AND CAPITAL. And behind those are political will and ideology.

Without a social framework that addresses the basic questions of land and capital, in which our creative solutions can operate, these ideas are reduced to marketing devices or consumer niches, merely scraping at the edges, without hope of getting to necessary solutions.

My architecture professor once told me, "architecture is fundamentally a colonizing profession." Coming from a post-colonial country, it irked me at the time. Later I understood two things: a) as designers and developers, our role is to build within existing communities and environments that have been there far longer than our brilliant new ideas, and b) in order to build we need access to land and money, and that is generally controlled by investors (or venture capitalists) whose ultimate bottom line is extracting PROFIT, notwithstanding any niceties of their marketing line.

We need to shift to (or perhaps return to) a framework in which housing is seen as a fundamental human right, like freedom of religion, like access to water, food, and healthcare – not as just another consumer product, like the latest toy or car, left to the invisible hand of the commodities market. This is not to argue for elimination of the private-sector housing market, but to point out, bluntly, that there is no inherent motivation in the current market-dominated framework to achieve a City with Housing for All.

# Reclaiming the City

The CITY is the original "hackerspace." People fled the constraints of the feudal system, founded creative guilds, and came together to learn from each other in the first universities. Cities have been the center of capitalism and stock exchanges, of social ferment and political revolutions, of sexual and religious freedoms, of the coming together of people from many worlds that elsewhere might be at war but who, in the best of cities, had to learn by necessity to be together, while in others divided the city into enclaves and ghettoes. But the lifeblood of great cities are those creative, bohemian, and ethnic communities where we are thrown together to create a new world. At the core of CITY as hackerspace was its openness: both socially, and in its physical infrastructure. When the "burg" within the city walls could no longer hold more people, the new arrivals simply built a new neighborhood outside the city walls. Cities had to be affordable to all, or they wouldn't exist, and they had to adapt over time, as new living and working conditions came into being.

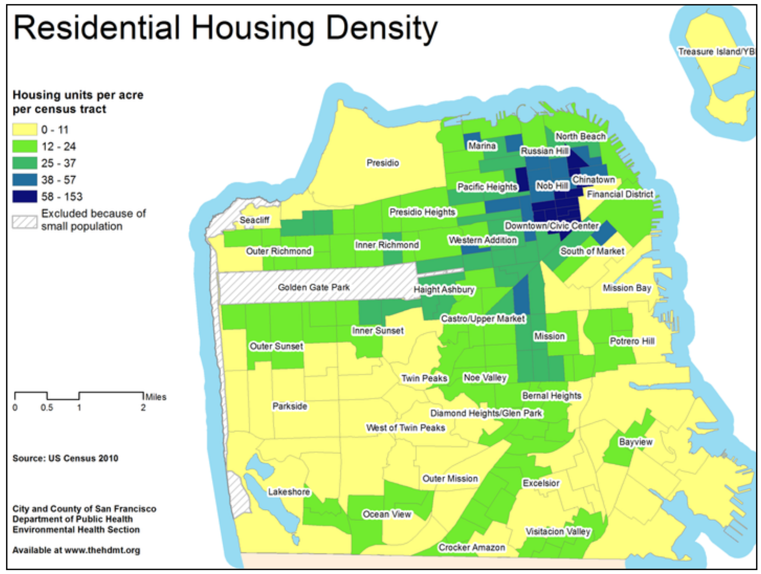

Figure 1: Pre-auto SF neighborhood densities, 25-60 units/acre, shown in dark green and blue. Source: San Francisco Department of Public Health

SAN FRANCISCO is a relatively young city, really only in existence for the last 160 years since the Gold Rush. From the 1850s to the 1920s, it developed as a series of relatively dense, human-scaled, and walkable neighborhoods, each with its own character and subculture. These were neighborhoods of between 25 and 60 units to the acre, all the houses walking distance from a shopping street and transportation corridor, a mix of two and three story townhouses with corner apartments of up to six stories, and downtown SROs (single room occupancies) next to work centers for the new arrivals. Its Victorians were supremely adaptable, what architects call a "loose-fit," their room dimensions, corridors, and layout adapting to use by single families, multiple intergenerational families, housemates, boarding houses, and even work spaces and services.

These are the neighborhoods where I live, where Mayor Ed Lee lives, where SPUR director Gabriel Metcalf lives, where Facebook CEO Mark Zuckerburg buys his house, where Harvey Milk used to live, where Carlos Santana grew up, and where the speculators swoop in to evict long-time tenants, colonize existing communities, and offer them up at fantastic profits to the next wave of high-paid technology workers. This traditional urban fabric of neighborhoods is important, because it was this physical pattern that supports the social vitality of San Francisco, as a city of neighborhoods, as a sanctuary city for people fleeing ethnic strife and sexual repression, as a creative center for beatniks, hippies, and punks, as a leader in progressive politics, and as a place for technological innovation. And it is a fabric that "the market" no longer provides.

From the 1930s to 1980s, the car and a new urban political order brought a sudden change to development patterns: San Francisco's last buildable areas to the west and south were filled in with suburban boxes on a low-density car-oriented suburban model. The power structure's response to civil rights and desegregation, and growing Black, Latino, Asian, and gay communities in the urban core, was GI-Bill-and-redlining-fueled white flights, a freeway infrastructure, and suburban enclaves with independent school districts. In the city, groups like SPUR (originally the San Francisco Planning and Urban Renewal Association) were formed to push the destruction of huge swaths of that vital pre-1930s urban fabric we love so much now, and to try to remake the city as a new financial job center with high-rise downtown office buildings.

From the 1990s, another new pattern materialized, of the gentrifying city and luxury highrise housing increasingly intended to serve a suburban job center in Silicon Valley as "The City" became a bedroom community and after-hours playground for a growing tech workforce commuting down the peninsula. This time, however, there was resistance: emerging community development organizations attempted to maintain their right to the city, by building a new model of dense, human-scaled affordable housing. Still active today, our community development organizations build culturally-rooted homes for our diverse communities, build cutting edge design that, by scale and porosity, enriches the urban fabric rather than setting down fortresses of isolation, and invents new models, like supportive housing buildings and multi-story sweat equity homes. But good as it is, successful as we've been in San Francisco, our affordable housing is much too little, the funding and land it's given still a mere sop in what's really happening with development in the City over the last few boom cycles.

The Planning Department released its 2014 quarterly report showing our progress toward meeting our established General Plan housing element goals, of creating sustainable communities with housing affordable for people earning incomes at all the job levels being created in our city. Not surprisingly, we've built twice the need for market-rate housing, and less than half of the need for affordable housing. But the development market is doing what it does: it continues to provide mixed-income housing in far outlying areas such as Fairfield, Suisun City, Brentwood, Antioch, and Tracy, the new suburbanization of poverty within the regime of the gentrifying urban core. If left to the market, and to the supply-side ideologues, this is what our region is becoming: a gentrified middle, surrounded by exclusive enclaves and pockets of suburban poverty, and a private transit line via "google buses" to the monolithic job center in silicon valley.

We have already met all the need for market-rate housing, twice-over, according to local job growth projections. If our vision is that SF should be more than just a bedroom commuter city, if we believe that it should be our goal as a society to have a diverse mixed income city, then we must redouble our efforts through public policy, public investment, and regulating and harnessing the market, to re-create a network of dense mixed-income cities. We must face the reality that the development market is not currently creating this, and only an increase in permanently affordable housing for low and moderate income everyday people will provide the needed affordability to maintain a diverse mixed-income city. Why doesn't the market provide the affordable housing we need to have a mixed income city - why is supply-and-demand theory as bogus as Reagan's trickle-down theory?

## Deconstructing "the Housing Market"

THE MARKET, ON ITS OWN, IS INCAPABLE OF PROVIDING HOUSING IN SAN FRANCISCO THAT IS AFFORDABLE TO ANYONE BUT THE WEALTHIEST AMONG US. No amount of creative design solutions will change this.

A housing market is not like a market for a new app, basically created out of virtual space, or even a market for a new cell phone. Someone might not be able to afford the latest iPhone the moment it comes out, but there are cheaper alternatives, supply increases over time and the demand drops, and you can even buy a used one on Craigslist. When the economy slows, it may be harder to obtain the latest iPhone, but production of cell phones will continue. These rules do not apply to the housing market in SF. Housing is not a "widget."

There are four fundamental reasons why the supply-and-demand argument doesn't work as a "solution" for housing affordability in San Francisco:

1. Supply is REGIONAL
2. Supply is CONSTRAINED by land
3. Demand is set by INCOME INEQUALITY
4. This creates a situation which allows a relatively few investors to control supply and keep prices artificially high

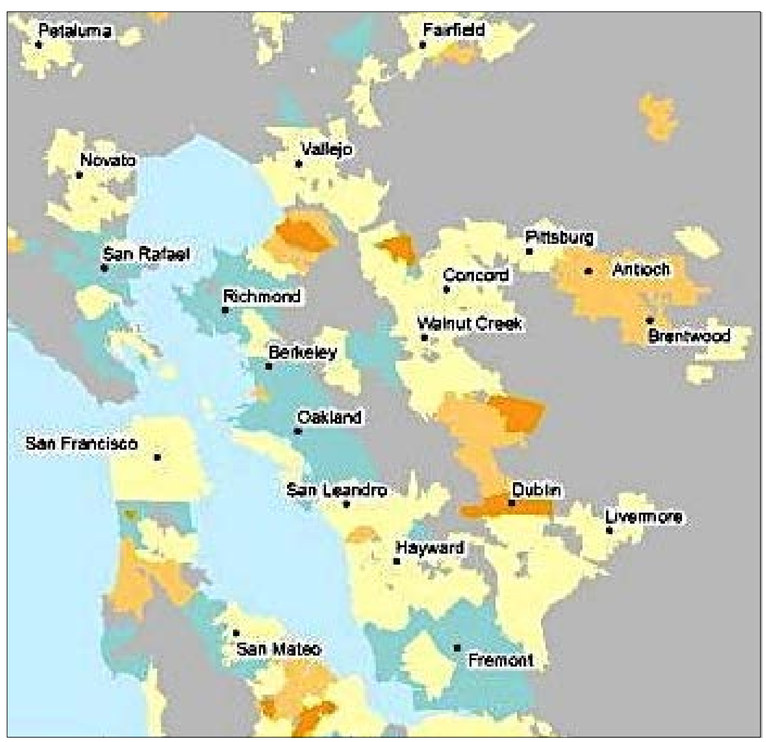


Figure 2: Growth in regional poverty 2000-2010, shown in orange.

First, the housing market is REGIONAL, with supply of affordable housing provided regionally, in the urban periphery, with externalized environmental and social costs. We can no longer think about San Francisco's housing market in isolation; we must think about the larger Bay Area as a whole. In a regional housing market, affordability is provided by cheap wood-frame tract homes built on greenfields, and even more "naturally affordable" housing can be found in mobile home parks in the suburban outskirts. In other words, the market-provided "affordable" housing for San Francisco is no longer located within the city itself, but in the surrounding suburban parts of the region. Moreover, we must question the real affordability of this suburban housing, as the development market provides affordability by externalizing social and environmental costs: greater use of cars (and those displaced working people are not driving hybrids), social isolation, and great distance from the cultural resources and social services that supported those communities in the city. Housing markets are segmented, just like cell phone markets are segmented with iPhone segments and Android segments, and the San Francisco segment of the new housing market is now the luxury segment.

Second, supply in San Francisco, as a largely built-up city surrounded by water on three sides, is CONSTRAINED in terms of land, land costs, and environmental costs for what's left. Within the region, and because of its limited land supply, San Francisco is one of the few cities looking at hyper density construction, far more dense and far higher than its traditional 25-75 unit/acre neighborhoods, with new residential towers and 300-500 unit megablock buildings in South of Market and Mission Bay. These new building patterns are not only less adaptable and open than the traditional neighborhoods, but also have much higher construction costs than smaller four-to-six story wood frame buildings, meaning they are effectively by definition a luxury product. While higher densities sometimes result in lower per-unit costs, affordable housing investors are less willing to risk these kinds of large buildings, and market-rate investors demand an exorbitant rate of return, above 25%, for the "risk" of high-rise construction.

Third, because of the hugely successful tech sector (at least hugely successful on paper), San Francisco now has the highest income inequality in the country. Demand is skewed by this large and growing pool of high wage earners who want to live here. So instead of a smaller class of the wealthy and a majority of middle/working class residents, we have waves and waves of high-income in-migrants who are willing to pay high prices and consequently housing prices don't flatten out or drop. "Demand" in the development market is thus determined by this huge income inequality and the desirability of SF for global investors. The limited land we have is marketed only to those who can pay the highest price points, and everyone else can look elsewhere in the region, in the outer suburbs.

These factors lead to what is basically a cartel or oligopoly situation, where a relative few investors can set market prices. A competitive market does not exist – supply is actually determined by external capital investment effectively chasing the top-end returns on real estate development in San Francisco rather than expecting development to reach less lucrative middle-income demand, which keeps housing prices artificially high. Global investors (not local developers) simply shut off the tap of credit and equity as soon as there is a minor downturn in the economy. We can see this when we graph building approvals and actual units built, which is always much lower and tracks with each business cycle. THE REAL ESTATE INVESTMENT MARKET, LEFT TO ITS OWN DEVICES, STRIVES TO KEEP PRICES HIGH.

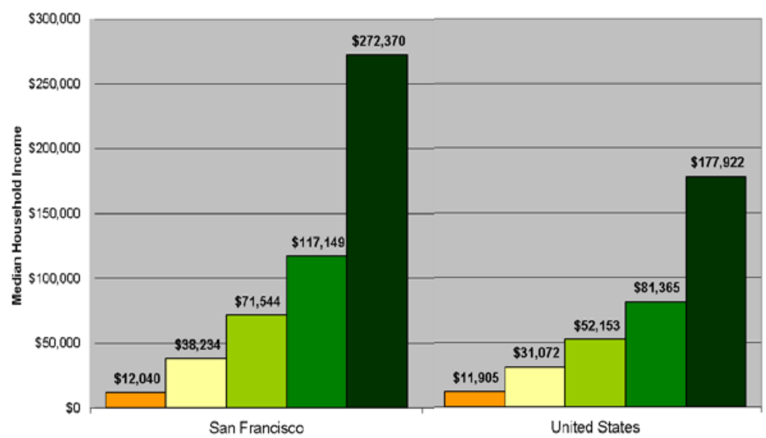


Figure 3: Income Distribution, SF vs. US, 2006-2010

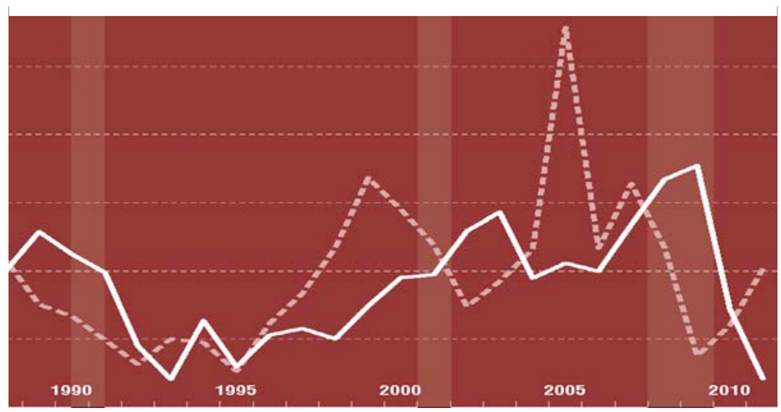


Figure 4: Approved housing (dotted) vs. actual construction, 1990-2010, shown against recession years. Source: SF Planning Department.

To the extent that the supply and demand curves have a relationship in this housing market, the two curves do find their way toward equilibrium: the problem is that the equilibrium that the market achieves within these conditions is nowhere near the actual demand that exists across income levels, or near to meeting the needs of the City to house a diverse economic population. Equilibrium might mean a topping out, a stopping point for rising prices, but far above the ability of any average person to purchase or rent - it does not mean the kind of affordability balance that the supply-siders want people to believe. To achieve that, we must look to solutions outside of the market.

## Why "Affordable by Design" Isn't Affordable

There is an industry of ideologues and "thought shapers" in every city, part of typical local pro-growth coalitions centered around chambers of commerce and the real estate industry, whose job it is to ensure that popular media and voters don't stray from the ideological constraints of the theory of supply-and-demand. In San Francisco this is represented by organizations such as SPUR and the Housing Action Coalition, two groups with deep connections to the development and investment world. With Econ 101 credentials to back them up, they try to make out a "law of the market" (a market created by human beings through centuries of financial mechanisms and government interventions) as a fundamental law of nature. And while the supply-and-demand curves fail to represent more complicated markets than those for widgets in Econ 101, no amount of reality will sway these folks from this line. Perhaps it is simply their socialization under the prevailing ideology of the United States that does not allow members of these organizations to break rank and view reality differently, but of course one also has to follow the money of who supports these organizations: those who are going to make the most profit from pushing the "supply-side" argument.

Figure 5: Alan Greenspan's ideology: "there was a flaw in the model that defines how the world works…"

Every so often one sees a break in the thinking – most recently, as the global economy was about to go down in flames in 2008, Alan Greenspan, then head of the Federal Reserve Bank, was forced to admit that his ideology, his world-view, and his models of how the world works, were found wanting. Greenspan moved on, and his successors quickly returned to a model of "quantitative easing" that simply obscured the flaws all over again. Till the next crash.

Here's an example of this kind of false solution that our ideological blinders can lead to, applied to our local housing crisis. Two years ago there was a debate in City Hall and in the mainstream media about changing the City's building code to allow tiny "micro-units," with 175 square feet. of living space. The debate centered on how to ensure their affordability and how livable these spaces are for long-term residents and neighborhood place-making. The proponents refused to consider linking the proposal, which they referred to as an example of "affordability by design," to increased affordability requirements. The main proponent for this idea, a developer, originally said the micro-units on 10th & Mission would rent for $1,300/month, with the cost savings and additional profit he was able to make by squeezing in more units passed on to the consumer in the form of a lower housing price. But once under construction a year later, the developer was quoted in the SF Chronicle saying that, with San Francisco rents what they are, his original calculations "sounded like pre-war pricing"—he estimates the opening rents at 50% higher than his "affordable by design" estimates a year before the boom. The building is still under construction, but another building just a block away from Kennedy's micro-unit building recently listed a 278 s.f. unit going for $2,200/month. So what happened to the so-called "affordability by design" that the developer was trying to sell us? Well, "it's the economy, stupid," as an old politician used to say: in a housing market like San Francisco's, price is set by the highest bidder in "the market," not by construction costs.

Where the market is leading us is not the city that we love, and this is not the city that we, as a society, want or need. We want a city that is still welcoming to all, that is adaptable and open, that continues to have that diversity and vitality and creativity that attracted us to this city in the first place, a city that has a sense of justice and prides itself on not kicking out those who came before us, and that is serious about addressing the social and environmental costs that the market externalizes, because we believe that the solution to, or at least our adaptation to, global warming, must begin with the urban pattern.

To do this, we must begin by throwing into the trash heap of history the idea that there are simple design solutions that you can hook on to a profit-driven business model in a cartel development market, to get more housing affordability. There is a role for market-rate housing, but creating more affordable housing in SF is not one of those roles. There are a lot of reasons why a city may want to encourage more market-rate housing: good union jobs if it's a skyscraper, or a greater tax base, BUT HOUSING AFFORDABILITY IS NOT ONE OF THEM. Perhaps, if properly harnessed through inclusionary zoning, market-rate development may be one of the engines for providing moderate-income affordable housing, but it will only do so by regulation.

Does this mean that design solutions aren't useful? Absolutely not, we want all the best design we can get. But if those design solutions only operate in a free market context, then they will result in little more than putting lipstick on a pig…

## Four Steps Toward Confronting the Crisis

What might provide some direction towards real solutions? I think I've hinted that the problem of housing affordability is really a much larger problem than just development of housing: it gets to the extreme income inequality of cities like San Francisco, the loss of good working-class and middle-class jobs, segregated regional growth patterns, and our inability to really address climate change adaptation in a time of crisis.

Confronting the housing crisis means looking at our situation honestly, and without ideological blinders. It means that we must link social innovation and creative design solutions to a housing infrastructure, and elevate our thinking to deal with fundamental questions of Balanced Development, Ownership, Land, and Capital. These are my proposed steps toward dealing with these fundamental questions, first in short outline and then in greater detail below.

**First, create a balanced housing infrastructure:**

- Require AT MINIMUM ONE THIRD of all housing be affordable to median income folks and below. This goal is achievable now, and has been done in the past in San Francisco. This would be a good incremental first step toward future mechanisms to truly meet our real housing needs.

**Second, stabilize neighborhoods by taking existing housing out of the speculative market:**

- Create an acquisition fund to secure buildings for conversion to permanently affordable units under the control of either a community land trust or a community housing nonprofit.
- Require that tenants be offered a right of first refusal to buy their own building at fair market value, with time to organize and secure financing, when a building is put up for sale.

**Third, secure land for deeply affordable housing:**

- Reserve un-used and under-utilized public sites for deeply affordable housing: reserving all sites from ¼ to 1 acre in size for 100% low-income housing.
- Require minimum 50% deeply affordable for larger master planned areas (achievable by combination of 20% "Inclusionary" below-market units within the market-rate development and set-aside parcels for 100% low-income housing development)
- Use zoning incentives (density bonuses, "affordable by design" code changes, and other profit incentives) to make private land more competitive for 20% and higher Inclusionary below-market units within market rate development projects.

- Zone up (or down) for less expensive wood-frame construction in the areas outside of the center city: 65’ heights, zero-parking, modest 15,000-20,000 square foot sites, which is ideal for cost-effective affordable housing development.

**Fourth, increase funding:**

- Raise new revenue, both public financing sources and from development value recapture, for land-acquisition, environmental remediation, and development.
- Assemble private capital or pension fund investments into a patient capital fund to acquire buildings and sites.

## 1. Balanced Development

We need to link the production of market-rate housing to a minimum amount of permanently affordable low-income housing, at a rate that we can reasonably produce, to mitigate the impacts of a boom-and-crash housing market.

A hundred years ago, “the market” for housing in San Francisco, like a market for widgets today, provided a balance of housing affordable to the many people in the city: service workers, factory workers, lawyers, doctors, and financiers, even bohemians. We must begin by reinstating a sense of that balance, and we must do so NOW – except that now, because the market is so out-of-whack, we must do so by regulation. One way to regulate a balance of affordability is to require that for every few luxury units built, a minimum number of affordable units be built.

The Housing Balance measure being considered on this year’s November ballot intends to do just that, requiring that at least one-third (33%) of all new housing should be affordable to people making below the median income. This ratio is actually nowhere near where we should ultimately be (if you think about the median, that means half the people make less than the median and half make more), but it’s a realistic number to set as a floor which we have in fact achieved in the recent past. The one-third ”housing balance” is averaged over ten years, to take into account market booms and busts, but the 33% tracks closely what we have actually built on average since 1990 (thanks to the work of SF’s housing advocates!). The goal is to never fall below the minimum 33% - if the balance gets close to falling below one-third, the City can commit additional affordable housing sites and funding to bring it back up.

The Housing Balance has been a nearly decade-long effort by SOMA advocates and CCHO, and was a top contender of this year’s Tenant Convention.

The market-rate developers actually don’t think it’s a terrible idea, if the City can be brought to commit to the other parts of this equation around necessary sites and funding. But the trickle-down economics ideologues are calling this idea of linking market rate and affordable housing all sorts of crazy. According to them, anything that might even suggest slowing down luxury development will impede the market’s “natural” ability to eventually provide more affordable housing. They are stuck in an ideological world-view that does not allow them to understand the reality of the monopoly nature and regional context of San Francisco’s housing market, and keeps them following false solutions to a crisis.

## 2. Ownership and Decommodification

We need to start taking seriously the idea of taking buildings out of the speculative market and putting them into the hands of tenant associations and community organizations. We already do this conceptually: as a city of housemates and co-ops and hubs, we have protections intended to stabilize and empower tenants in the form of hard-fought rent-control and eviction regulations. Even so, the city remains at the mercy of speculators and flippers, as existing residents are displaced to put buildings back on the market, and new residents are excluded through insane rents. A measure on this November’s ballot, the Speculation Surtax, will limit speculation by taxing the profits of any investor that buys to flip and re-sell within less than five years. This was the bill Harvey Milk was working on in 1979, when he was killed by Dan White. In itself, it’s another tool in our arsenal to protect the diversity of the city, but it is not the solution for the long-term.

We need a robust, well-funded system to acquire buildings, especially those being targeted by speculators and slumlords, and take them off the market as permanently affordable, tenant-controlled housing. The San Francisco Community Land Trust is beginning to do just that: the City has finally this year designed and is beginning to implement a small-sites acquisition-rehab program (i.e., a funded program that will buy and rehabilitate smaller rental buildings for conversion to permanently affordable housing stock). The Board of Supervisors first established a small funding source through a law in 2009. Now with a freshly minted program to carry out the vision, this is a beginning.

There are two key pieces we need to move forward to really be able to grow this to scale. We need to put into law a tenants' right of first refusal, which will ensure that when a building goes to market, it will be offered to the tenants first, at fair market value and with a reasonable waiting period for the tenants to develop financing and an association of buyers. These exist in other cities, notably in Washington DC, where Mi Casa, a nonprofit like the SFCLT, has helped hundreds of tenants become owners. And we need a robust rapid-acquisition fund to get these buildings off the market when they come available. I'll come back to that.


Figure 6: A 14-unit Mission District building under threat of eviction, recently acquired by SFCLT as a permanently affordable housing co-op. Sources: BeyondChron (above) and CBS News (below)

## 3. Land

We live in a built-up, land-constrained city, where only a few square miles of the 49 square miles we have can be residential (everything else is streets and parks). With these physical limitations, we must dedicate public land for deeply affordable housing, and, even without taking away any property owner's right to develop, find zoning incentives for affordable housing. How to do this?

We must, as a city, commit ALL publicly owned land that no longer serves the purpose of its public agency (from City and State agencies such as the Municipal Transportation Agency, the Public Utilities Commission, the Department of Real Estate, the School District, CalTrans, etc.), to 100% low-income affordable housing. Perhaps in larger parcels, above, say, 1 acre, such as some unused reservoirs or bus and rail yards, a balance of 50% low-income to moderate and market-rate housing might create a desirable mixed-income community, but the priority should at all times be housing affordability.

Furthermore, we need to use zoning, including any type of zoning that adds value to an owner's land, to establish a minimum level of affordability. Developers are always trying to game the system by trying to change the rules in their favor. The big battle last year over 8 Washington and the recent Waterfront Heights Initiative came about because developers were trying to get the city to change the height limits for their pet projects – basically creating profit out of the pen-stroke of the bureaucrats and city officials who approve such changes. These changes will continue to happen and we should ensure that we, as a city, recapture that added value, created out of nothing, by insisting on a minimum amount of affordability on any new upzoning. This should start as a requirement for at least 20% affordable units within market rate developments, and go up depending on the value conferred by the zoning change. But there is another aspect to this. There are market developers who build 20% affordable, using tax-exempt bonds, but we must make land for these types of development more competitive in relation to the luxury developers, by tying any upzonings to incentivize these kinds of projects.

We must prioritize local public resources, both funding and land, for deeply affordable housing. We may see the market as an engine for providing mandatory affordability, but we have to understand that, at least on the level of San Francisco itself, the market will never result in more affordability on its own – all unregulated "incentives" are simply ways of increasing the developer's profit margins and are not passed on to consumers. And we need to understand that in most cases zoning above relatively inexpensive wood-frame construction, and with requirements for anything less than 20% on-site, are really incentives for exclusive market-rate development… So, we need to use zoning to make sites more competitive for nonprofit and 80/20 developers.

Figure 7: Two examples of SF affordable housing.
Richardson Apartments in Hayes Valley by Community Housing Partnership; and St. John's in the Richmond District by Bernal Heights Neighborhood Center.

## 4. Capital

At a time of extreme housing crisis, we see ever-shrinking Federal housing budgets, the dissolution of redevelopment agencies in California that gave us most of our local housing funding, and a local establishment that would rather give tax breaks to tech companies than increase city revenue to fund solutions to the crisis. This is also part of that same ideological blindness that aspires to "affordable by design" and "naturally affordable" solutions to our housing crisis.

We must find new public revenue sources for deeply affordable housing, whether it's a local bond or tax increment bond financing, a regional housing revenue measure, or passage of a State-level housing trust fund.

At ground zero of venture capital investment, we need to develop new private-capital funding streams for deeply affordable housing, whether tech capital or pension funds, in low-risk (but also limited return), low-income housing investment funds, to be used to acquire land or properties, to lend for construction, or even as long-term equity investment.

And finally, we need to start thinking big. As a city, we keep several billion dollars sunk in Bank of America and other mainstream banks as reserve accounts. We can begin to think about how we can use that money to capitalize a municipal bank, geared towards a community development mission, to counteract the impacts of boom-bust investment. While it may seem like a radical idea in this country, it is not unheard of. In the financial disaster of 2008, North Dakota - the only state with its own state bank was able to weather the storm far better than the rest of the country and make credit available at a time when it seemed the entire financial system was about to crash.

The city could create a funding mechanism through a municipal bank, with the capacity to eventually invest up to $500 million in low-interest community economic development loans in San Francisco. Unlike commercial banks, this bank would prioritize affordable housing and nontraditional business models that are commercially viable and have the ability to manage a reasonable load of low-rate debt (i.e., community corporations, cooperatives, and community financial institutions). In 2008, the City and County of San Francisco had a net worth of $6.5 billion. Approximately $2.8 billion of the city's assets were held in a pooled fund in liquid instruments – government treasury debt, securities backed by mortgages guaranteed by Fannie Mae and Freddie Mac, and time deposits at large commercial banks. A portion of the city's liquid investments could be sold or transferred over a period of several years, providing the initial equity investment into the municipal bank, up to perhaps $500 million. The City could, in effect, become a long-term investor in its municipal bank. The total asset portfolio consisting of loans and other investments could eventually approach $1 billion, representing a significant infusion of loan capital into deeply affordable housing and community economic development.

The time to begin thinking long-term is now.

## Conclusion

We face a choice: do we let the unfettered market lead to a segregated urban region, a Paris with outlying banlieues of the poor, or do we ensure cultural diversity and confront climate change by prioritizing public investment and housing market regulations to build out our dense, mixed-income, human-scaled and transit-oriented neighborhoods?