SOUTH SAN FRANCISCO AFFORDABLE HOUSING FINANCING PLAN (AHFP)

Fiscal Years 2025-2026 and 2026-2027

May 2025

Table of Contents

I. Introduction

The Affordable Housing Financing Plan (AHFP) outlines the City's biennial housing funding priorities in relation to existing housing goals, policies, programs, and funding availability. Most of these goals, policies, and programs are governed by the City's General Plan, Housing Element, or Municipal Code and generally have the following objectives:

- Prevent displacement and homelessness
- Preserve affordable housing units
- Promote housing production at all income levels
- Source and utilize federal, state, and regional housing resources.

Additionally, State and Federal grant programs that the City participates in, such as the Community Development Block Grant (CDBG), have policy objectives set by their own guidelines and governing documents. These programs often narrowly stipulate how funds may be spent. Consequently, the intent of the AHFP is not to set new policy or budget. Rather, the AHFP outlines spending priorities that would most effectively further existing housing goals and policies in the City given funding availability and parameters.

The AHFP is produced biennially by the Housing Division of the Economic and Community Development Department (ECD), with annual reviews to ensure funding availability and targets are updated appropriately.

III. Current State of Housing

A. Current Programs and Services

The City has adopted numerous policies and programs to advance the above-mentioned housing goals, including the following:

1. Emergency Rental Assistance

One of the most effective tools the City has in preventing homelessness and displacement is its rental assistance program. The YMCA Community Resource Center located on Huntington Avenue in South San Francisco administers the program, providing rental assistance to low-income South San Francisco residents experiencing an immediate financial hardship. The program was instrumental in assisting residents impacted by COVID-19 and the Shelter in Place Order. Since February 2020, Council has allocated $1,025,000 towards direct rental assistance and $146,500 for program administration. As of May 2025, the program has assisted 798 individuals, 324 being under the age of 18. During Fiscal Year (FY) 24-25, Council appropriated $177,000 for this program.

2. Housing Nonprofits

Through its CDBG program and housing funds, the City supports several nonprofit community organizations that provide critical housing resources, including shelters, home repairs, legal assistance, and referral services. While CDBG funding to local jurisdictions has been steadily declining over the past two decades, the City received a total entitlement award of $443,482 during FY24-25. Furthermore, not all CDBG funds go directly to housing nonprofits; the City is limited to spending 15% of its entitlement on public service grantees (nonprofits). The remainder of the entitlement can be spent on public improvement projects, minor home repair, and administration.

3. Inclusionary Housing Ordinance

For years, the City has had an inclusionary housing ordinance requiring developers of market rate, for-sale housing to include a set-aside of below market rate units. In 2018, following State legislation allowing it, the City Council voted to expand the inclusionary housing ordinance to market rate, rental housing developments. These inclusionary housing policies ensure that a percentage of all housing units constructed since 2018 in South San Francisco are set aside for households earning under 120% of the area median income. Eligible applicants can view listings and apply for these below market rate units using the regional portal Doorway.

4. Commercial Linkage Fee

Prior to 2012, the City, through the South San Francisco Redevelopment Agency, had a direct and steady source for funding for affordable housing. After the State dissolved redevelopment agencies in 2012, the City was left without this important source of funding to support housing organizations and fund new affordable housing development. To help begin to make up this shortfall, in 2018, the City Council adopted a commercial linkage fee. This fee is charged on new commercial development to help offset the impact it has on the need for affordable housing.

While the commercial linkage fee is a high performing funding source, its reliability is notably less than that of the former State redevelopment fund given fluctuating commercial market conditions. For example, while during FY20-21 the fee's annual revenue generation increased from $4,957,461 to $5,375,874, it fell to just $3,077,684 in FY 21-22. By FY22-23, however, the amount more than doubled to $7,499,156 in FY22-23. Consequently, financial planning for the City's affordable housing funds is necessary to ensure steady delivery of the City's housing objectives.

5. Program Administration

Critical to the success of the City's housing program is its administration. City staff monitor existing affordable housing units, review annual rent increases for rental units and ensuring for-sale units are occupied according to their deed restrictions, and negotiate affordable housing agreements for new developments. Central to the administration of the housing program is publishing publicly available guidelines such as the Procedures and Guidelines for Inclusionary Housing Units that assist property owners and residents alike in navigating the City's housing programs and policies. City staff also undertake long-range planning efforts such as preparing the City's Housing Element and Anti-Displacement Roadmap to ensure the City's programs are aligned with State and Federal regulatory requirements and community needs.

B. Funding Needs Assessment

The most recent 6th Cycle Regional Housing Needs Allocation (RHNA) Assessment by the Association of Bay Area Governments (ABAG) states the City must produce 3,956 new housing units during the 2023-2031 RHNA cycle. Of this total, 720 must be affordable for moderate-income households and 502 for low-income, and 871 to very low-income households. While the City is pursuing a host of zoning and regulatory changes to accelerate housing production and preserve existing affordable housing as a part of its General Plan, public subsidy is also necessary to ensure the housing needs of low and extremely low-income households are met.

According to the City 6th Cycle Housing Element, it costs approximately $732,500 to build a multi-family housing unit and approximately $950/square foot to build a single-family home in San Mateo County. This high cost is due to rising hard and soft costs, including construction, labor, and high interest rates. Current market conditions make building housing affordable to any income level a challenge to finance, but most especially for units that are affordable to low and extremely low-income households, given the greater gap between the project cost and rents charged. As a result, units affordable to these households are typically produced in either, or in combination of, the following ways:

- As a result of an inclusionary housing requirement: market rate developers offset the cost of producing affordable units with the scale of market-rate units produced as a part of the project
- As a result of complex financing portfolio that includes rental income, Low Income Housing Tax Credits (LIHTC), and/or multiple grants from State, Federal, Local, and non-profit sources.

The second way is typically where City financing serves a critical role, especially as a gap funding source between what the housing developer has already secured and what is needed to make the project pencil financially. It is for this reason the City continuously applies for State and Federal grants such as the Permanent Local Housing Allocation Program (PLHA) to help provide the gap funding necessary to produce affordable units. Notwithstanding, many grant programs require a local dollar match, demanding local housing funding sources such as the Commercial Linkage Fee to generate the funds necessary to bring affordable units online in alignment with the City's 6th Cycle RHNA requirement.

According to the City's most recent Annual Progress Report (2023), the City has constructed, permitted, or entitled 35% (176 units) of its low-income units and 13% (114 units) of its very low-income units required for its 2023-2031 RHNA.

IV. Fund Performance

A. Funds and Eligible Uses

Table 1: Projected FY24-25 Year End Balances of Affordable Housing Funds

Fund Source	Projected FY24-25 Year End Balance[1]
Funds	
Commercial Linkage (823)	$14,000,000
Affordable Housing Trust Fund (205)	$200,000
LMI Housing Asset Fund (241)	$1,000,000

Table 2: Grant Award Funding Availability

Grant	Total Award	Allocated Funds	Unallocated Funds
CDBG FY24-25[2]	$424,978	$424,252	$726
PLHA Y1	$217,980	$217,980	$0
PLHA Y2	$338,809	$338,809	$0
PLHA Y3	$372,500	$0	$372,500
LHTF	$2,362,500	$0	$2,362,500[3]
IIG	$28,817,500	$28,817,500	$0
PIP	$890,000[4]	$0	$890,000

Table 1 above denotes the projected FY24-25 year-end balances for each housing fund, while table 2 denotes funding availability of the City's current portfolio of grant awards. While Table 1 illustrates the approximate FY24-25 year-end balances for housing funds, they are not comprehensive of anticipated credits and expenses that have yet to be formally incorporated into the fund balances. While staff can reasonably anticipate

[1] Approximate year end balances for FY24-25
[2] FY25-26 allocation to be determined.
[3] While the City's 2021 LHTF NOFA funds are technically committed to a project, the City is actively pursuing a reversion clause within the regulatory agreement to make these funds available again for more shovel-ready projects.
[4] Proposed to be appropriated into Fund 205 with $890,000 in matching funds from Fund 823, pending Council approval.

credits and debits to housing accounts such as pending grant awards and rental and loan repayments from the City's property and loan portfolio, there is typically a delay before staff have enough certainty to formally input these credits and expenses into the fund balances. It is advised to review Table 1 in conjunction with other information presented in this document, such as Table 4.

Another important factor to consider with Table 1 and 2 is that nearly every funding source has use restrictions. Federal and State grants, such as CDBG and PLHA, tend to have the most restrictive eligible uses, and are typically accompanied by program guidelines that set the parameters of eligible uses of funds. One notable exception to the use restriction rule however is the $890,000 PIP grant award from HCD, which could be appropriated as a cash contribution to Fund 205 pending a 1:1 match from a local source such as Fund 823. Doing so would replenish Fund 205 with a total of $1,780,000, greatly benefiting a nearly depleted fund as shown in Table 1.

City governed funding sources such as 823 and 205 generally have much more flexible eligible uses. Notwithstanding, they do carry some State law restrictions and policy considerations set by the City. Table 3 to follow outlines the use restrictions on affordable housing fund sources.

Table 3: Eligible Uses of Affordable Housing Fund Sources

Fund Source	Fund Type	Fund Originator	Eligible Uses
Commercial Linkage (823)	Fee and Fund	City	Flexible. Must serve households making less than 120% Area Median Income (AMI). Annual State reporting requirement dictated by the Mitigation Fee Act.
Affordable Housing Trust Fund (205)	Trust Fund	City	Flexible. Must serve households making less than 120% AMI.
LMI Housing Asset Fund (241)	Former Redevelopment Agency Fund (RDA)	City	Can fund construction, rehabilitation, or preservation. Must focus on ELI households and no households above 80% AMI. Restrictions set by State Senate Bill 341 and other State laws.
PLHA	Formula Grant	California Department of Housing	Generally flexible. It can be used for developing or rehabilitating LMI (Low and Moderate Income) housing,

		and Community Development (HCD)	homeownership opportunities, as well as social services with the intended goal or preventing or reducing homelessness.
LHTF	Competitive Grant	HCD	Local 1:1 dollar match required. Can be used for the creation, rehabilitation, or preservation of affordable housing and emergency shelters. Generally flexible but strict affordability metrics.
IIG	Competitive Grant	HCD	Grant for qualifying infill projects with a minimum of 15% affordable units. Must be used for capital asset related expenses such as construction, rehabilitation, utility and street improvements, etc.
CDBG	Formula Grant	Housing and Urban Development (HUD)	Wide variety of uses but nuanced program requirements. Priorities set in the City's CDBG Consolidated Plan and Annual Action Plans.
PIP	Competitive Grant	HCD	Flexible match funds for Fund 205, provided the City also provides a 1:1 local match. Same restrictions as Fund 205, provided the funds are expended by June 2029.

B. Current Funding Commitments

A sizable portion of the City's affordable housing funds are already committed to a project or program. These funding commitments largely reflect the use restrictions on the funds and grants themselves per Table 3. For example, when the City receives a grant, the scope of work in the executed agreement is most often tied to either a specific project or project type. Furthermore, if a grant such as PIP has a local dollar match requirement, the local match amount also must be considered.

Council also sets funding commitments for projects and programs such as the Emergency Rental Assistance program and administrative costs such as staff salaries. While non-exhaustive and excluding administrative costs, Table 4 provides an overview of the City's current housing funding commitments.

Table 4: Current Housing Funding Commitments

Project Type	Project Type	Funding Source	Funding Total
		Production Projects	
1051 Mission Road	Financial Assistance	IIG: $28,817,500 823: $2,000,000[5]	$33,180,000
500 Linden	Financial Assistance	PLHA Year 1 & 2: $556,789	$556,789
522 Linden	Financial Assistance	241	$1,076,373
		Preservation Projects	
Anti-Displacement Roadmap	Community engagement and policy	270 (non-housing): $200,000 823: $200,000 Partnership for the Bay's Future (PBF) Grant: $15,000	$415,000
		Protection Projects	
Emergency Rental Assistance	Direct aid	241	$177,000
Services for Persons Experiencing or At-risk of Homelessness	Emergency shelter, legal aid, shelter, home sharing, etc.	205	$100,000
Nonprofit Housing & Community Development Services	Youth mentoring, oral health services, tenant legal aid, etc.	HOME: $12,526 CDBG[6]: $41,500	$54,026

C. Fund 823 Anticipated Revenue

Fund 823 has an exceptional variance from year to year. This variance is a result of the Fund's reliance on the performance of the City's commercial real estate market. As of May 2025, the City has entitled enough commercial real estate projects to generate over $200 million in revenue for Fund 823. However, whether these projects move forward is dependent on the commercial real estate market's recovery. The market for the past few years has been notably chilled due to the financial stress the industry is facing from high office vacancies, high interest rates, and falling asset values. This has resulted in both less

[5] Proposed to be increased to $2,362,000 to meet the LHTF 1:1 local match requirement. This will allow the City to allocate the $2,362,000 LHTF award from HCD as outlined in Section V to the project.

[6] Proposed to be re-allocated to General Fund. See Section V.

than anticipated revenue generation to date and more cautious projections for the fund over the next few years. Table 5 to follow provides estimates of Fund 823's fiscal year performances from FY25-26 through FY27-28:

Table 5: Commercial Linkage Fee (Fund 823) Projected Revenue FY25-26 Through FY27-28

Fiscal Year Payout	Fund Contributing Projects	Anticipated Total Revenue
25-26	Genentech Year 5	$1,500,000
26-27	Genentech Year 6, Trammel Crow	$19,273,000
27-28	Genentech Year 7, Healthpeak Brittania Point	$8,452,000
Total		**$29,225,000**

As indicated in Table 5, over the next three fiscal years the City's current projections indicate roughly $29.2 million in revenue for Fund 823. While these numbers are projections and thus could change according to real estate market performance, there are a few inferences that could be drawn. For example, whereas 66% of this total is expected to be paid out during FY26-27, only 28.9% is expected in FY27-28 and just 5.1% in FY25-26. Consequently, financial planning of Fund 823 is critical to ensure sustainable use of the fund towards the City's housing objectives. This includes strategizing the timing of property acquisitions, notice of availabilities (NOFA), and property rehabilitations around the expected payout dates of commercial linkage fees. Likewise, this could include seeding funding towards either a revolving loan fund or a rainy-day set-aside during abundant payout years to stabilize housing fund performance over time.

D. Other Funding Sources

While the AHFP is primarily based on housing-specific funds and grant programs, other funding sources have and can be used to further housing priorities. Committed appropriations, such as the Council directed appropriation of $200,000 from the General Plan Maintenance Reserve (Fund 270) towards the Anti-Displacement Roadmap, are included in the Funding Plan in Section V. Likewise, proposed spending from other sources such as $41,500 from the General Fund for nonprofit community development services are also included.

V. Funding Plan

A. Overview

Based on the performance of the City's housing funds in recent years, the City will prioritize a strategic programmatic use of funds to advance the City's Housing Element goals categorized by the 3Ps. Please note the Funding Plan includes adjustments to the current funding commitments for housing projects shown in Table 4, such as allocating LHTF funds to 1051 Mission Road and re-allocating CDBG funds from housing services to housing rehabilitation projects. These adjustments are informed by input received from housing nonprofit operators and the shifting realities of the City's housing stock and funding portfolio. Pending funding awards from PIP and PLHA (Year 3) have also been assigned to programs in the subsequent tables.

1. Production

Table 6: City Production Programs Funding Plan

Program	Funding Source	Funding Target	Target Population/ Geography	HE Goal / Program	Projects
Financing for Developer-Led Affordable Projects	1051 Mission Road: LHTF, IIG, 823 500 and 522 Linden: PLHA Y1&2, 241	$37,500,000	Citywide	Programs CRT 4.2 and 4.6	1051 Mission Rd, 500 and 522 Linden
Regulatory / Zoning Updates to Accelerate Housing Production	Planning fees. HCD also releases grants such as SB2 / LEAP during HE planning cycles to absorb local costs	NA	Citywide	Goal 2 and Goal 3	Zoning and policy updates to fulfill General Plan and Housing Element goals and programs

2. Preservation

Table 7: City Preservation Programs Funding Plan

Program	Funding Source	Funding Target	Target Population/ Geography	HE Goal / Program	Projects
Preserve Existing Housing and Communities	CDBG	$80,000	Communities with high displacement risk	Program PRSV 1.2	718 Linden rehabilitation
Anti-Displacement Roadmap	270 (non-housing), 823, PBF	$415,000	Communities with high displacement risk	Program EQ 3.2	Community Advisory Committee, SRO / Mobile Home Conversion Ordinances, Live/Work Preference Ordinance

3. Protection

Table 8: City Protection Programs Funding Plan

Program	Funding Source	Funding Target	Target Population/ Geography	HE Goal / Program	Projects
Emergency Rental Assistance	241	$180,000 annually	(E)LI households	Program EQ 8.5	Emergency rental assistance (administered by YMCA)
Services for Persons Experiencing or At-risk of Homelessness	205 (funded by PIP)[7]	$100,000 annually	Persons experiencing or at risk of homelessness	Programs SNP 7.2, 7.4, 8.3	Emergency shelter, legal aid, shelter, home sharing, etc.

[7] HCD has approved the City's eligible use of PIP funds to be a $890,000 cash deposit into Fund 205, provided the City also provides $890,000 in matching funds from Fund 823, pending Council approval.

Nonprofit Housing & Community Development Services	PLHA Y3, General Fund	PLHA Y3: $149,000 HOME: $12,600 General Fund: $41,500	LMI Households	Goal 1: Equity	Homeowner assistance, youth mentoring, oral health services, tenant legal aid, etc.
Economic Advancement Center and Associated Nonprofits	PLHA Y3	PLHA Y3: $223,500 CDBG: $50,000	LMI Households	Goal 1: and Goal 6:	EAC and associated nonprofits

VI. Monitoring and Reporting

While the Housing Division endeavors to produce a comprehensive biennial plan while updating funding availability and targets annually, the Plan does not have statutorily required monitoring or reporting requirements. The AHFP is an administrative, supplemental planning effort to guide the City's medium term affordable housing project spending into alignment with existing housing goals. Nearly all funding sources have their own respective reporting requirements set by either City, State, or Federal law. This is also true for the City's primary housing policy documents: the Housing Element and General Plan. Most public-facing annual reports can be found on the City's Housing Division webpage.

VIII. Risk Assessment and Mitigation

While AHFP's funding targets are based on recent performance of the City's grants and fees as well as educated guesses on future indicators, market and regulatory conditions are a constant evolving target. Hypothetical scenarios such as construction cost spike due to climate disasters or drastic changes in federal trade policy, are difficult to model and are largely outside the City's control. What is in the City's control, however, is having the best and worst-case funding pathways available to either accelerate or safeguard housing priorities during funding fluctuations without delay. Whereas the funding plan in section V corresponds with the most likely economic scenario, the alternate pathways are described in the following subsections.

A. Limited Financing Pathway

While the funding plan outlined in Section V was developed using primarily current balances and grant commitments, the plan could be impacted by considerable inflationary spikes or the retraction of committed funds from grantors. Similarly, in the scenario of an underperforming commercial linkage fee, there would be additional pressure to maintain adequate cash flow to pay for upfront program costs and local match requirements for grant programs such as LHTF. The AHFP is likely to be resilient to any one of these scenarios, though a combination may require the City to evaluate establishing new revenue generating streams, tap into non-housing specific funds, or scaling back projects.

If scaling back is necessary, the Housing Division will prioritize programmatic strategies using the following considerations, in the order indicated:

1) State and Federal Statutory requirements
2) Regulatory and grant agreement obligations
3) Highest impact for disadvantaged and historically underserved communities
4) Project viability and delivery
5) Highest impact on progressing housing priorities in General Plan and Housing Element

In practical terms, this may entail reducing the number and scale of property acquisitions and financing agreements that do not have pre-committed grant funding. Likewise, the City could reduce non-obliged funding commitments to non-profits that provide housing and community services.

B. Surplus Financing Pathway

The surplus pathway would apply in scenarios such as a significant decrease in interest rates that could reduce the cost of affordable housing financing or if grant funding markedly increases. While the likelihood of the surplus pathway taking effect is low given the current stance of the Federal Reserve and the State's budgetary challenges, it's possible for the economic climate to change over the next two years. Additionally, Fund 823 could see a major boost if there's a substantial expansion of biotech office space in the City. In the surplus scenario, the Housing Division will prioritize programmatic strategies using the following criteria in the order indicated:

1) Highest impact for disadvantaged and historically underserved communities
2) Project viability and delivery
3) Highest impact on progressing housing priorities in General Plan and Housing Element

The practical term of the surplus scenario is heavily dependent on how the surplus arises. For example, if the surplus arises because of declining interest rates, the most logical programmatic expansion would be City-led financing and property acquisitions. If the surplus arises due to increased additional grant funding, the City will have more flexibility to pursue the rehabilitation of 226-246 Grand Avenue to bring those properties online with affordable units. Alternatively, if the Commercial Linkage Fee exceeds performance expectations, the City could pursue more policy driven interventions such as providing additional financial support for tenant legal aid. Lastly, as is prudent in any surplus scenario, the City could use seed money from surplus years to establish stabilizing funding mechanisms such as a revolving loan fund or a reserve fund. These mechanisms could greatly assist the City in maintaining consistent programs and pipeline projects even during revenue constrained years.