

San Francisco to Turn Much Public Housing Over to Private Owners

Effort to attract needed investment in properties will leave city owning just 60 units

San Francisco is turning over its last big chunk of public housing to private owners in an effort to attract badly needed private-sector investment in the properties. *PHOTO: BLOOMBERG NEWS*

By

LAURA KUSISTO/WALL STREET JOURNAL

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San Francisco officials are expected to announce Thursday that the city is turning over its last big chunk of public housing to private owners, part of a multiyear effort to attract badly needed private-sector investment in the properties.

In recent weeks, the San Francisco Housing Authority has transferred 2,058 housing units to private developers and nonprofits.

After the latest wave of transactions, the city is slated to own just 60 units, down from 6,500 several years ago.

The buyers are mostly nonprofit affordable-housing developers. They usually pay little but agree to make needed repairs to the properties and take over maintenance.

Officials feared units would continue to become uninhabitable due to disrepair. “Because [rental costs in San Francisco are so high](#), the mayor and his staff really knew that if we didn’t take action and dramatic action we really couldn’t replace these units after they were lost, said Kate Hartley, deputy director of housing at the Mayor’s Office of Housing and Community Development.

As part of the latest agreements, the new owners are required to make about \$750 million of improvements, including mold abatement, upgrading elevators, replacing fire alarm systems,

outfitting buildings to withstand earthquakes and installing missing sprinkler systems. One building with plumbing dating to 1940 will get an upgrade.

Faced with mounting repair backlogs, housing authorities across the U.S. are seeking private investors through the federal [Rental Assistance Demonstration program](#).

The program, established in 2012, converts buildings from public housing to the Section 8 rental-subsidy program, which makes it easier for the new owners to use debt and tax credits to pay for the repairs.

Some cities, like San Francisco, also elect to turn over ownership and management to private companies and nonprofits, with agreements in place to keep the buildings affordable.

Tenant advocates are worried that it will be harder to hold the new owners accountable. They also fear the arrangements will be a slippery slope toward higher rents.

“There’s a lot of concern,” said Jessica Cassella, a staff attorney at the National Housing Law Project, “mainly because it’s a very new program and it’s still working out some of the kinks.”

San Francisco has been among the most active participants.

While housing authorities across the U.S. have generated \$3.2 billion of investment in public housing through the program, \$1.1 billion of that has been in San Francisco.

“There’s a lot of demand to participate in the program...to solve the problem of this incredibly depressing deferred maintenance problem that is occurring in our public housing stock,” said Tom Davis, director of the office of recapitalization at the Housing and Urban Development Department.

Mercy Housing, a nonprofit public-housing group, is taking over ownership of 320 units, many in San Francisco’s tony Pacific Heights neighborhood.

Doug Shoemaker, president of Mercy Housing California, acknowledged that some tenants are nervous. But he said many have greeted the arrival of new management with relief.

“Every single unit of affordable housing feels like something we need to covet...It’s just so important that we get this right,” Mr. Shoemaker said. “This is a fairly seismic shift.”

Write to Laura Kusisto at laura.kusisto@wsj.com