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## Organizational Profile

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### **Mission Economic Development Agency—Combatting Displacement in San Francisco’s Mission District, Family by Family and Block by Block**

*Christopher Gil and Karoleen Feng*

#### **Background of Organization**

San Francisco’s Mission District has been a neighborhood of opportunity and a hub for Latino residents, businesses, arts, culture, and services since the late 1960s. The neighborhood has a historic and current identity as an important, welcoming home for immigrants.

San Francisco is home to 121,774 Latinos, which is 15.3 percent of the city’s population; the Mission District is currently 41 percent Latino. While that number may sound substantial, in 2000, Latinos represented 60 percent of Mission District residents. In just fifteen years, there have been 8,000 Latinos displaced—over 25 percent of this community.

Stemming such displacement has catapulted the Mission Economic Development Agency (MEDA) into an enhanced role as an innovator and risk-taker—leveraging resources to stand up for what the community needs. Those needs have changed over the years, especially in the last five years.

MEDA’s evolution is characterized by three phases. MEDA started in 1973 working with only small businesses, primarily those owned by immigrants, to achieve financial opportunities in spite of systemic banking and regulatory barriers. There was a need for such culturally relevant services, and during this first phase, MEDA filled that void by helping newcomers create an asset—viable businesses. Over the next few decades, in the second phase, MEDA expanded its approach by providing bundled services to create generational assets. These services include financial coaching, job training, free tax preparation, technology training, housing opportunities (focused on below-market-rate options and foreclosure prevention), and operating as the lead agency for *Mission Promise Neighbor-*

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hood (a network of support services to help families achieve economic stability and support their children's academic achievement). In its third phase, MEDA has matured into a comprehensive, community-development organization and anchor institution of the Mission District. This third phase has involved increasing the staff and budget to create the capacity to proactively respond to a displacement crisis for family-serving businesses and low-income immigrant families.

MEDA's direction is set by its vision statement, and describes the future the service provider wants for its clients:

*We envision generations of Latino families with sufficient financial assets to thrive, and the ability to call San Francisco their permanent home. Inspired by the past and present life of the Mission District, families are rooted in vibrant, diverse and forward-thinking communities, have opportunities to grow and are actively engaged in the civic and political life of their neighborhoods and the institutions that affect their lives.*

MEDA's core purpose is stated in its mission statement, which, given the nonprofit's continued evolution, reflects a broader purpose and focus on community development:

*Rooted in the Mission and focused on San Francisco, MEDA's mission is to strengthen low- and moderate-income Latino families by promoting economic equity and social justice through asset building and community development.*

### Housing Issues in the Mission District

San Francisco's Mission District is in the heart of the nation's highest-cost housing market. The dramatic rise in the cost of housing in the Mission District over the past decade has made this neighborhood one of the most dramatic examples of gentrification in the country. As a transit- and freeway-accessible neighborhood with a vibrant local culture, the Mission District has become highly desirable for Silicon Valley employees seeking housing in a conveniently located urban neighborhood. With the newer residents' significantly higher earnings, landlords have responded by actively evicting long-term tenants through no-fault evictions (using California's Ellis Act,<sup>1</sup> which allows landlords to evict tenants to remove all the units in a building from the rental market) or low-fault evictions (taking advantage of tenants' lack of knowledge of their rights). Typically, these landlords plan to take advantage of the market by converting former rental buildings into tenancies-in-common (TICs), the first step to condominium conversion in San Francisco.

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1. CAL. GOV'T CODE Ch. 12.75. In San Francisco's rent ordinance, "withdraw[ing] from rent or lease all rental units" is included as a cause for eviction. S.F. ADMIN. CODE § 37.9(a)(13).

Housing cost burdens for low-income families in the Mission District are staggering. A “cost-burdened household” is defined by Housing and Urban Development (HUD) as a household spending more than 30 percent of monthly income on housing. According to U.S. Census’ American Communities Survey data, approximately 70 percent of the households that rent in the Mission District and earn less than \$75,000 per year are housing cost burdened. In fact, \$75,000 per year appears to be a key income threshold for whether households stay in the Mission District.

The Median Household Income (MHI) in the Mission District is \$73,610, while Latinos in the Mission District have an MHI of \$47,943. Even more distressing, Latino families with children under the age of 18 in the Mission District have an MHI of only \$43,944; therefore, it should not be surprising that the Latino immigrant population is rapidly decreasing.

Perhaps more than anywhere else in the nation, a place-based strategy where housing affordability stabilized the neighborhood became critical for the ongoing racial, ethnic, and income diversity of the Mission District.

During the same period of tremendous loss of families, government investment in affordable housing slowed to a trickle. The dearth of place-based solutions meant there was an urgent need for MEDA to leverage the community’s trust—and the relationships built over the years—to create stable and affordable housing in the Mission District for low-income families.

### **MEDA’s Response**

In 2014, MEDA created the Community Real Estate team with the ambitious goal of preserving or producing 1,000 affordable homes by 2020, coupled with 100,000 square feet of affordable commercial and nonprofit space. These numbers would bring the neighborhood back to 2010 numbers, starting a reversal of the trend of displacement of Latinos. The good news is that these numbers were met in May 2017, well ahead of schedule, with new goals now set for 2020. This jumpstart would not have happened without the City of San Francisco’s opportune focus in 2013 and 2014 on its Small Sites Program<sup>2</sup> (discussed below) and the pres-

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2. San Francisco’s Small Sites Program is “an acquisition and rehabilitation loan program for multi-family rental buildings . . . created to protect and establish long-term affordable housing in smaller properties that are particularly vulnerable to market pressure resulting in property sales, increased evictions and rising tenant rents.” Notice of Funding Availability, Acquisition and Rehabilitation Financing for Small Sites Program Properties, issued by the Mayor’s Office of Housing and Community Development of the City and County of San Francisco, July 2014, <http://sfmohcd.org/sites/default/files/FileCenter/Documents/8103-Small%20Sites%20NOFA%207-24-14.pdf>; *see also* Small Sites Program Program Guidelines, MAYOR’S OFFICE OF HOUSING & COMMUNITY DEVELOPMENT (rev. 9/30/16), [http://sfmohcd.org/sites/default/files/SSP%20Underwriting%20Guidelines\\_PUBLISHED%209-30-16.pdf](http://sfmohcd.org/sites/default/files/SSP%20Underwriting%20Guidelines_PUBLISHED%209-30-16.pdf).

ervation and rebuilding of public housing through HUD's Rental Assistance Demonstration (RAD) Program. Such a quick impact would not have been possible without an indefatigable, twelve-person team, featuring everyone from expert project managers and those with real estate experience to homegrown junior staff and recent graduates focused on urban planning, the latter being groomed by senior staff. The results would also not have been achieved without community advocacy for the City of San Francisco to aggressively respond to the changing demographics, organizing by tenants, and a bevy of funders backing MEDA's innovative community-development strategies.

MEDA has implemented four affordable-housing strategies:

- (1) Preserving and improving existing affordable housing;
- (2) Constructing new affordable housing;
- (3) Conducting outreach to tenants regarding tenants' rights and assistance with affordable-housing opportunities; and
- (4) Revising land-use policy.

#### *1. Preserving and improving existing affordable housing*

MEDA employs two strategies for the work of preserving affordable housing stock in the Mission District.

The first strategy involves MEDA redefining public housing via HUD's RAD Program, through which MEDA is rehabilitating five properties with years of deferred maintenance. The San Francisco RAD program was implemented to transfer public housing from the San Francisco Housing Authority (SFHA) into ownership and management by affordable housing developers. The San Francisco Mayor's Office of Housing and Community Development (MOHCD) and the SFHA chose MEDA, based on its local expertise, to assume ownership of the sites, partnering with BRIDGE Housing to leverage their years of affordable housing management in the field. As an equal partner in the joint-venture ownership, MEDA's approach to community engagement is rooting residents more deeply in vibrant, diverse, and forward-thinking communities. As of October 2017, three RAD properties have been completely rehabilitated, with two more scheduled to be finished by spring 2018. The result will be 439 units of safe, secure, and quality housing.

As a second strategy for preservation of existing stock, MEDA is taking housing out of prospective private-market speculation and placing the housing into permanent affordability through the City of San Francisco's Small Sites Program. This program offers nonprofits needed funds, which are typically combined with a private loan, to purchase four to twenty-five unit apartment buildings with tenants vulnerable to eviction—tenants ranging from artists to teachers to single moms. MEDA's focus is on buildings that house families attending Mission District schools, are located

along Mission Street (the main commercial corridor of the neighborhood), or are at risk of speculation from new construction on the immediate block.

The Small Sites Program in the Mission District is a public investment in the purchase of buildings where households are vulnerable to displacement. Tenants of buildings of these sizes are the most at risk because of the huge profit differential between the current tenancies and potential future residents. Buildings have been sold and bought in the Mission District, and in San Francisco overall, based on the assumption that rent-controlled tenants can be removed and replaced with higher-paying tenants or owners. The City's Small Sites Program preserves the affordability of these buildings through acquisition by mission-driven developers or sponsors like MEDA before they are purchased by profit-driven entities likely to evict and displace existing tenants. Small Site Program funding makes up the difference between the market value of the buildings and the income from the apartments' rents, thereby ensuring that the sellers get market value and can exit ownership of the building, tenants continue to pay affordable rents, and MEDA, as a community-based organization, becomes the owner/manager and can stabilize the building as a long-term asset in the neighborhood.

As of October 2017, MEDA has purchased 15 Small Sites Program buildings with 93 households saved from possible eviction. Over 20 percent of these households have students in Mission District schools, and two of the buildings are on Mission Street.

## *2. Constructing new affordable housing*

MEDA is partnering with trusted San Francisco developers, Chinatown CDC and the Tenderloin Neighborhood Development Corporation (TNDC), to develop new affordable housing for families, children, transitional-aged youth, and seniors (many formerly homeless). MEDA has four such developments in the pipeline in the next few years. These sites were secured through community advocacy from market-rate developers and from publicly owned land. MEDA was awarded the right to develop these properties by winning RFPs from MOHCD. MEDA will use local financing for the building, stacked with four percent low-income housing tax credits and tax-exempt bonds, as well as California's Affordable Housing and Sustainable Communities financing. For deeper income targeting, MEDA will use San Francisco's Local Operating Subsidy Program and Project Based Section 8 subsidy.

The portfolio of 494 proposed units includes:

- 1296 Shotwell (94 senior units, with 19 for formerly homeless seniors; estimated 2020 open date)
- 2060 Folsom (127 family units, with 29 for transitional-age youth; estimated 2020 open date)
- 1990 Folsom (143 family units, with 35 for formerly homeless families; estimated 2021 open date)

- 681 Florida (130 units, with 32 for formerly homeless families; starts construction around the time neighboring 2000 Bryant market-rate developer finishes its project)

Additionally, MEDA will push forth cultural place-keeping by offering commercial spaces in these new buildings to nonprofits and arts organizations, which are also at risk of displacement from the community because of escalating rents. These commercial neighbors will support and reinforce families in the buildings and nearby homes, especially when coupled with the bundled services MEDA provides.

### *3. Conducting outreach to tenants regarding tenants' rights and assistance with affordable-housing opportunities*

MEDA works closely with tenants' rights organizations to ensure families can resist prospective eviction; if eviction does occur, MEDA's Housing Opportunities Program prepares families for their below-market-rate (BMR) options. When the team meets with families, regardless of whether the families are ultimately referred to a tenants' rights agency or helped directly by MEDA, MEDA's team explains San Francisco tenants' rights, including:

- The sale of a building does not mean tenants must vacate their units because the new landlord must respect the original rental agreement.
- A tenant does not have to take a buyout offer from the owner. Additionally, the landlord must advise the City that such an offer has been made, with specified tenants' rights information then mailed to the tenant.
- Oral evictions are illegal. All eviction notices must be in writing from the court, and all tenants have the right to defend themselves in front of a judge.
- Only the sheriff can physically evict a tenant.

### *4. Revising land-use policy*

This strategy ensures that existing land-use policies and regulations are revised to directly address displacement and the loss of diversity in the neighborhood. In 2015, MEDA established the Mission Action Plan 2020 (MAP 2020) as a planning process for the community to actively engage the Planning Department, MOHCD, and the Mayor's Office of Economic and Workforce Development to assess existing policies and their implementation processes. Prior to this more-comprehensive strategic process, the community and the City were often engaged in adversarial conversations that resulted in only incremental solutions.

MEDA participates in several neighborhood-based, citywide and statewide coalitions that advocate for the Mission District's continuing diversity. Neighborhood organizations, activists, and residents reacted to the housing crisis by hunkering down into survival mode, rallying in large

protests and using their individual relationships with policymakers. MEDA's role in land-use policy has also been to solidify and support community members in strategic analysis and clear communications.

The next complex land-use process that MEDA is working on with the City is to create a Special Use District (SUD) along the Mission Street commercial corridor as a means to preserve family-serving businesses and to maintain the character of this corridor. There is no commercial rent control in San Francisco so once a business lease expires, the landlord usually raises the rent to the new market rate. Also, as the clientele of low-income business owners are displaced from the community, the customer base dwindles and the business eventually ceases operation.

The primary outcomes of MEDA's work to revise existing land-use policy are:

- **To engage the Mission District** and especially those most affected by gentrification and housing disparities (low-income and working-class residents, single-room occupancy residents, Spanish-speaking tenants, local school families, school workers, and small-business owners), and to develop popular support and advocacy for the changes necessary to protect their right to remain in the Mission District.
- **To develop an inspiring framing that prioritizes housing equity** as a central planning principle with regard to housing preservation/production and preservation of community resources for all decisions by local activists and, through advocacy, to be incorporated by City staff/elected officials.
- **To combat the loss of families in the Mission District** via a housing-preservation strategy that combines tenant protections, regulations to encourage tenants and nonprofits to purchase vulnerable multi-unit buildings, and ensures that sufficient resources are dedicated to the neighborhood for that purpose.
- **To achieve a percentage of low-income housing that keeps pace with market-rate development**, including funding for new construction and identification of publicly and privately owned sites to be purchased by the City of San Francisco, plus providing the tools for neighborhood residents to access this new housing.
- **To preserve vital community resources**, including small businesses, legacy businesses, and cultural/community resources.
- **To increase low-income residents' job pathways** into growing sectors of the economy.

#### **Case study: Affordable Housing Preservation Through the Small Sites Program**

When the MEDA Community Real Estate team saw a realtor's prominently placed billboard advertising that 3329–3333 20th Street in the Mis-

sion District was on the market, they knew of the urgency to reach out to the tenants, who could all be vulnerable to eviction.

Like tenants in many buildings in the Mission, the residents of the small, nine-unit 3329–3333 20th Street feel they live in a community within a community. The rent-controlled apartments are all occupied by Latino immigrant families, many of whom have lived in the building for more than two decades. They are day laborers, painters, and restaurant back-of-house workers. To make ends meet—and to better the lives of the next generation—these San Franciscans toil daily for long hours, earning far, far less than the money made by the high-income newcomers now moving onto the block.

When MEDA met with the tenants to explain the Small Sites Program, they immediately understood the value of this possibility. The residents had seen the displacement of friends and family living in other buildings in the Mission District. Small properties are ripe for speculators to come in and evict tenants by finding low-fault reasons to force them out, to buy them out for higher-paying tenants, or to convert all the units to tenancies in common, the legal first step toward condo conversion.

Residents in the Mission often live in overcrowded apartments or informal arrangements. MEDA assessed the situations with the residents. Because all twenty-four tenants agreed with the plan for MEDA to buy the building—the Small Sites Program requires that everybody on a signed lease must agree to the possibility of MEDA becoming their landlord—they decided to organize and fight possible displacement. The residents were asked to speak with the landlord about selling to MEDA via the Small Sites Program. Such organizing is necessary because, while MEDA offers a competitive bid, the organization cannot do an all-cash offer and a thirty-day close, which are typical in the current private market. MEDA's closing timeline is closer to ninety days, and its purchase is typically loan-financed.

As an innovative program of the City of San Francisco, each building purchase has tested and pushed the established guidelines for the program. As with earlier buildings, MEDA presented the financial and physical feasibility of the building, as well as the income qualifications of these residents, for the City's approval. MEDA also secured a first mortgage on the building to complete the purchase.

When this building was purchased with the financial assistance of the Small Sites Program, these residents breathed a communal sigh of relief, with the building stabilized in MEDA's hands as the new owner. Living in an older building that had fallen into disrepair, they also knew that MEDA's ownership meant that common areas and units would be rehabilitated, and the building would be made earthquake safe.

### **Conclusion**

MEDA's work has evolved over four decades from an agency providing free services for immigrants to build assets in a neighborhood of opportunity to actively engaging in preserving and rebuilding the neighbor-



hood's opportunities as the Mission District experienced unprecedented gentrification. With new strategies developed to prevent displacement, San Francisco's Mission District can now remain a neighborhood of opportunity for all, for generations to come. MEDA has pioneered a community development model integrating affordable housing, land-use policy and economic pathways—a model that is ripe for replication in other cities with gentrification challenges. Most importantly, the dialogue in the Mission District has changed, with the new question being, "What is MEDA's next strategy to preserve or produce affordable housing?"

