Housing Affordability via Decommodification and Public Investment: A Comparative Analysis of Vienna and San Francisco

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Prior to its widely recognized importance as a foundational aspect of individual and societal health, early housing regulation began in the early 19th century, focused on the physical health of individuals and communities through fire codes, zoning, and building codes. Decades of scholarship has since linked housing to crucial outcomes vis a vis environmental hazards, community violence, mental health, access to community resources like grocery stores and recreation options, housing conditions and design (Wolin & Perkins, 2018, p. 6). Housing and related activities make up very significant portions of local and national economies. Poor housing affects education outcomes that have decades long implications for productivity and economic activity, vis a vis student mobility, overcrowding and inadequate study environments, and access to college and internship opportunities (Mueller & Tighe, 2007, p.376).

Today, research and policy attention are focused on the relationship between housing unaffordability and subsequent financial and mental stress, to dire social consequences like homelessness, of which those least capable of obtaining private housing are most susceptible to (Mueller & Tighe, 2007, p.380). Much has been written about the unhoused, which currently include more and more children and families. The situation in some cities is dire. In San Francisco, for every one person housed by a city program, four more will become unhoused (Fagan & Moench, 2022).

Decades of stagnant wage growth, rising housing costs, financial crisis that crippled housing markets, and decreased supply, the effects on the safety, productivity, and quality of society has been suffering. Governments and the public therefore have a vested interest in the availability of housing; activism and policy have surged in recent decades. Despite the interest, developed nations continue to struggle to impact the affordability of housing. Stuck between the sanctity of property rights in liberal, capitalist economies and the undeniable housing crises, governments have been exploring avenues to maintain affordable housing through upzoning, inclusionary housing, public housing, financial assistance, etc.

The scramble to address the crisis sweeping western liberal democracies has yet to produce significant improvements, allowing one European city, Vienna, to further stand out as one of the most affordable Western cities to live. This paper is a comparative analysis between Vienna, and San Francisco. We will compare the two cities' political history, how that history has shaped its design and quality of public housing, and an innovation to remedy issues with the quality of American public housing. We will then explore the meat of the issue and solution – the funding structures of affordable housing policy, with the intention of illuminating the path for San Francisco to achieve affordability by asserting itself into the market via public investment.

Vienna

Vienna is the capital and largest city of Austria, also serving as its economic and political center. It is the 5th largest city in the European Union, with a population of 1.9 million. Vienna is known globally for its high quality of life, a title enviable to any municipality. The Economist's quality of living index rated Vienna at the top of its list, and for the 10th time in a row, Vienna was named the top quality of life city by Mercer consulting group (Mercer, 2022).

Amid the global housing crisis, it is the affordability of its housing that places Vienna at the top of everyone's list. Due to public investment, Vienna keeps housing costs to an average of 20% of citizens' incomes. It maintains an extremely active presence in the housing market, subsidizing 43% of the city's total housing stock. Subsequently, 62% of Vienna's citizens live in social subsidized housing (Forrest, 2019).

In contrast, San Francisco, a desirable and famously progressive global city, has consistently topped the lists of the most expensive places to live in the world, causing many to commute great distances to work and/or be priced out of the area completely. 80% of very low-income households (<50% AMI, or $46,650) are rent burdened (SF Planning, 2022, p.25). Despite their differences, I see reasons to compare San Francisco and Vienna. The two cities operate in similar conditions that continue to converge– vast majority of renters (Vienna 77%, SF 65%), a crowded and expensive development environment, and public sectors playing a facilitative financing role. Since Vienna's ascendence to the European Union in 1995, it has enjoyed a geographic importance that has rejuvenated its population and economy, and saw land prices skyrocket. It is now a global destination with immense corporate development interests. Vienna has also experienced commodification trends as its private markets see extremely large growth. It has stopped its role as directly developing housing, now playing a financial role and relying on nonprofits. Its federal budget for housing is no longer tied to strict housing expenses, causing concern that the funds will be spent on other measures (Kadi, 2015, p.252). Vienna's socialist history and tendencies are continually challenged internally as well as externally from its regional partners.

From the other side, San Francisco is another important and diverse economic, financial, and political city that is sympathetic to European policy innovations like public transportation, healthcare, urban planning, and housing. It is emerging from a long history of reliance on free market principles, continues to struggle with booming land values, and is attempting to strengthen its role as facilitators of subsidized housing via nonprofit developers – a role Vienna currently exemplifies.

The differences in the scope, scale, and maturity of the cities' grasp on housing affordability, however, are stark. The availability of subsidized units illustrates the different situations. The size of Vienna's presence in the market, and the long-held belief that housing should be available for all has resulted in extremely broad access to Vienna's public housing stock. The income for a single person must not exceed around 44,000 euro per year – more than double the yearly median income after tax for employed people, allowing around 80% of its citizens to qualify. Once in a contract, a tenant cannot be removed due to increased income. It is therefore, essentially untargeted. It is housing for nearly all citizens, including former presidents and high judges that continue to live in subsidized units. Furthermore, until as recent as 1994, all leases and contracts were unlimited, meaning it was extremely hard for tenants to be evicted without cause (Kadi, 2015, p.255). Given the long-term nature of leases and contracts, however, it is customary and legal for developers to charge a down payment to incoming tenants to offset construction costs.

On the other hand, American public housing has always been subject to means testing, though the target populations have changed over the years. In San Francisco, most listings for one occupant subsidized housing have a maximum income limit of 55% of the Area Median Income, about $53,350 a year, or about 40% of residents to qualify (SFMOHCD, 2022). Residents must reaffirm their income yearly and are allowed increases up to a maximum of 175% of area median income (SFMOHCD, 2018, p.52). Despite the limited access, supply is continually overstretched, with units going to applicants via lottery and years-long waits to gain access to the subsidized housing system is routine.

Housing – A Political History

Vienna

From the onset, it's recognized that Vienna's success is a result of a century-long political commitment to the decommodification of housing (Kadi & Johanna, 2022, p.19). In response to a failure of the housing market in 1920, and subsequent political protests, a socialist government was formed and quickly intervened in the market. A new luxury tax, rent tax, construction tax, rent regulation, and the construction of 64,000 city-owned social rental buildings marked a period called "Red Vienna," and began a generally unbroken pattern of government presence in the housing market (Pelleteret, 2020). As a result of a very strong presence, the market's rent setting ability is curtailed – when most are able to find subsidized housing, demand and prices for private housing are limited.

Following WWII, many European cities and nations expanded their welfare states to include the construction and management of housing. Continuing to the 1980s, governments supported housing policies as part of the national welfare state, in line with Keynesian demand side economic management, which endorsed low housing costs in order to allow greater consumption. The mid 80s saw a liberalization movement across developed nations, where they shed their roles as welfare states and relied more upon market principles to solve public issues and reduce public expenditure. For instance, British Prime Minister Margaret Thatcher famously sold off its government owned council housing to tenants and other buyers, promoting private ownership.

For its part, in the mid 1990s, Vienna ceased to directly develop council housing and is now entirely relying on non-profit developers to maximize efficiency and public cost. Between 1980 and 2001, 69% of all units came from nonprofits (Kadi, 2015, 253). Vienna's private housing market, once seen as nearly unviable, has recently experienced rocketing investment and rents. After decades of strong rental regulations that prevented nearly all evictions against tenants' wills, fixed term contracts were introduced as well as liberalized rent setting processes that are more favorable to private market landlords (Kadi, 2015, p. 255). Between 1987 and 2005, gross annual return of purchase and sales exceeded 60%, resulting in high-quality, high-priced housing sector with high rents, causing issues with regulation and tenant protections and prompting the government to recognize the need to create relationships with a burgeoning private market (City of Vienna, 2022, p.31). Private developments have been raised at a fast pace, diminishing the supply of land available for both public and private housing development.

While it hasn't gone entirely unphased by the global tendency toward liberalization, social rental housing remains very stable and popular in Vienna. In 1990, Vienna had more than 40.9% of its housing classified as social rental housing, compared to a private and tightly regulated private market comprising 32.7% of all units (Kadi, 2015). That number has increased to 42.3% in 2015. In addition to strong federal support, Vienna itself has provided additional funds for affordable housing since the 1920s. The success of this strong commitment has in turn provided a political base and overall continuing support for the policies.

<u>San Francisco</u>

San Francisco's public housing began in the 1930s under the expansionary public housing policies of the New Deal, which enlisted jobless Americans to build a robust portfolio of low-cost public housing (Schwartz, 2017, p.144). The City operated in conjunction with American housing policy, which framed public housing as separate and inferior to the free market and the logic of the invisible hand of the market. From its onset, public housing was disliked by residents of San Francisco, and were explicitly racially segregated (Kamiya, 2016). New developments were corralled toward poorer neighborhoods.

On the national stage, financial pressures of the public housing program in addition to its unpopularity led to seeking support from private actors. The maintenance of these buildings fell to the wayside, and the reputation of government housing nationwide took on an even more sinister and ugly nature. The Nixon Administration enacted a moratorium on federal housing finance in January 1973, marking an official change in stance of the American government's support of building and maintaining public housing. Construction of new units ceased, with most funding going to the ever -increasing maintenance costs, and public agencies pivoted toward a system of vouchers, and reliance on private or nonprofit building managers, dispersing great towers into the integrated and hybrid winds of public private and public nonprofit partnerships (Vale & Freemark, p. 381).

Because it was inferior to the private market, housing in the US and San Francisco is dictated primarily by those familiar faces of supply (minimal) and demand (insatiable). Only the wealthiest San Franciscans, many of whom in the recent past made their fortunes from the tech industry, can afford homes and the high cost of living. The privately-owned, single-family homes with consistent monthly mortgage payments that define most American housing were pulled further out of reach by the effects of the global pandemic and subsequent monetary policy (JCHS, 2022, 9). What's worse, the unrestrained commodified housing market has allowed corporations to take advantage of low interest rates to buy a record share of homes sold in the fourth quarter of 2021 (Kasakove, 2022). San Francisco Bay Area home prices have skyrocketed 218% since 2000, according to the Case-Shiller home price index (St. Louis FED, 2022). From 1994 to 2019, San Francisco residential rents increased 241% (Carlisle, 2021). Home prices and rents have far outpaced subsidies and programs in managing affordable housing.

While American policymakers continue to operate in this context, the Viennese have enjoyed stable and affordable housing that is widely loved and utilized. Public housing programs like Vienna's remains a tiny part of the American housing portfolio, with most government policy focused on increasing national, private homeownership, which has stagnated around 65% for the last few decades. Only 38% of San Francisco homes are owner-occupied; most of its housing is privately owned and rented.

San Francisco has recently officially recognized housing as a human right, and have committed to working to provide enough housing for its residents, though this comes after years of increased agitation from its residents, its state government, and headlines across the nation and the world. This commitment is necessary, and with proper investment, can result in better control housing outcomes that the market principles have failed to provide.

Public Housing Design

As we explore expanding San Francisco's role in the housing market, however, the City must consider its past as well as an innovative solution to solving the issue of quality in its publicly subsidized housing.

Vienna's building designs were built to be indistinguishable from private designs that housed the city's bourgeoisie. Including statues and decorative elements. They were also integrated into the fabric of the city, with open courtyards that did not divide between publics trees and private gardens. They included amenities like libraries and kindergartens.

In contrast, American public housing was explicitly intended to avoid competition with the private sector, resulting in quality that appalled even Soviet architects (Schwartz, 2021, p.151). These projects were designed to discourage permanent occupancy among its residents (Halpern, 1995, p.72), and were subject to strict cost restrictions that resulted in spartan conditions (Hoffman, 2000, p.200).

The connection between the designed environment and personal and communal relations is an established concept in architecture. So despite drastically different beginnings, American public housing design has since rounded the corner, with the HOPE VI programs that address dilapidation primarily through demolition and redevelopment, along with RAD (the rental assistance demonstration program), that offloads the burden of ownership, maintenance, and management of properties to non-profits and private entities who can be more responsive to the building's needs, as well as more easily obtain different sources of funding (Schwartz, 2017, 791).

Today, new developments strive to incorporate mixed income, mixed use dwellings in denser and livelier neighborhoods. In San Francisco, tenant retention is of high importance as well as civic engagement and community input (Cytron, 2009, 34). The architecture now promotes a sense of ownership of the space, as well as spreading around inhabitants, as opposed to concentrating poverty.

Developer Competitions Bring Quality

With these lessons in design and management learned, both Vienna and San Francisco have relinquished most, if not all direct development and management to nonprofit organizations. The cities' roles are now more facilitative in nature, acquiring land and providing financing and subsidies to nonprofit developers in the effort to create affordable housing. To improve its developments and further embrace public housing, San Francisco should consider another innovation led by Vienna in this operational environment: developer competitions.Introduced in 1995, parcels are offered to developers in competitions, where designs are submitted and judged by industry professionals on the basis of design, sustainability, amenities, etc. (Gluns, 2019, p.238). This has resulted in extremely high-quality developments that are iconic and integral to the city's appeal and skyline. Special competitions have been held as development initiatives, like the Wohnbauinitiative, which built 6250 additional dwellings (Stadt Wein, 2016, p.19). Most developments go through this process today, which maintains housing quality as well as keeps projects within costs.

As land values rise in Vienna, competition has only increased (and make the two cities more comparable). Nonprofits do not have the capital to acquire land and therefore depend on the city to secure land or provide financial assistance. The city issues loans and provides funds on favorable terms to developers, in exchange for subsidized rents and down payment limits.

Measuring and Managing Housing Need

These competitions exist in a productive and consistent ecosystem in which housing is continually developed, allowing Vienna to manage its housing need, in contrast to San Francisco, where a development's path to completion is never certain, subject to layers of discretionary review and aggravating political negotiations. The differing political histories and attitudes concerning the role of the government in housing has led to the different paths. Governments can choose to manage housing with a heavier interest and heavier hand, or defer to the invisible hand of the market. The two cities' forebearers made their choices with the consequences described above, and the continuing crisis has prompted American governments to rethink its position and attempt to impose more discipline on the matter.

The American housing agency, HUD, has tracked the national number of extremely low-income households and the number of affordable and available units, a gap that has only grown in recent decades to 6.9 million in 2017 (Schwartz, 2021, p. 38). Each region in the State of California has a Regional Housing Needs Allocation (RHNA), set by the Association of Bay Area Governments, a regional planning agency, and approved by the California Department of Housing and Community Development (San Francisco Planning, 2022, p. 4). San Francisco's housing need is determined to include more than 82,000 units between 2023 – 2031. Previous efforts to meet the housing needs allocation shows the City with a 71% overall achievement rate across housing for all incomes, shrinking to a meager 43% achievement rate for very low-income households.

Since Mayor Ed Lee in 2011, the City has committed to an annual production of 5,000 new units per year (half of the annualized RHNA), achieving this just once in 2016 (SF Planning, 2020, p. 12). This includes 1,667 affordable units. Current proposals and estimates outlined in the City's Housing Affordability Strategies estimate 50,000 new affordable units by 2050, which would bring the city to a total of 85,600 affordable units, or 19% of its housing stock - far below the RHNA, and far too late. According to California law, San Francisco must eventually show that it has enough land zoned to accommodate its Regional Housing Needs Allocation. Current plans show that land for 22,800 units is still needed.

Using demographic growth statistics, Vienna has determined that it will need to house over 3 million people by 2030 and has set a goal to provide 120,000 housing units from 2014 to 2025. Thus far, 92% of the land needed has been identified (City of Vienna, 2022, p.37). Not only is Vienna constantly acquiring land to develop housing on, but its housing agencies also have robust processes of identifying buildings for renewal and height additions to increase density.

Upzoning and Increased Density

To meet needs in a cost-effective manner, the Viennese have long understood the efficiency of increased density and height. More units in taller buildings cost less to design, build, and maintain over time. In keeping with Vienna's long-standing tradition, the most important pillar of new housing construction will be composed of multi-story housing estates with a high share of subsidized units (Kadi, 2015, p. 35). General plans have repeatedly endorsed tall, dense developments as fundamental to meeting housing need.

In San Francisco, density and taller buildings are politically toxic to neighbors who have come to enjoy the 'character' of their neighborhoods, and who have outsized influence on the project approval process. Recently, the California Department of Housing began investigating the blockage of a 27 story, 495-unit development with 89 affordable units by the City's political leaders who cited, among other things, the detrimental effects of the shadow that would have been cast by the building (CA HCD, 2021). Most of their stated concerns were unfounded or misplaced (Schnieder, 2022). A 7 story, 98-unit 100% affordable housing development in a very low-density suburban neighborhood triggered intense backlash and criticism by neighbors, causing continuing delays (Shanks, 2022).

While San Francisco may need to be dragged toward greater density, it will happen nonetheless. Given the cost of development, most units being built in SF are large buildings with more than 20 units (SF Planning, 2021, p. 17). While this is largely from private developers building luxury apartments due to simple return on investment calculations, the city's Planning Department has finally included a detailed implementation plan in its housing element report that endorses greater building heights and density (along with the right to housing as "foundation for health, and social and economic well-being" (SF Planning, 2022, p.11). All future planning scenarios now picture increased density in all parts of the city. Those denser units, though authorized, must be financed to turn plans into reality.

Financial Structure

The United States

The primary department for housing policy is the Housing and Urban Development, which receives a budget of 234 billion, or 2.1% of the 2022 US federal budget. US housing budget authority has decreased by 59% from 1977 to 2019, even as outlays increase due to the cost of maintaining buildings and programs rise.

The US subsidizes homeowners via tax deductions to the sum of $85 billion in 2018, compared to just 49.5 billion in direct expenditures toward low-income housing in the forms of housing construction, vouchers, and grants to states (Schwartz, 2021, p.7). A medley of deep and shallow subsidies exist, that work within and without the private housing market. For instance, rental based housing subsidies including – public housing, LIHTC, special needs programs, and HOME grants are expenditures that aim to develop or maintain housing owned by government entities and/or nonprofit organizations.

Other subsidies, like Section 515 Rural Housing Loans, Section 8 project-based loans, Section 221(d)3 below-market-rate mortgages, Housing Choice Vouchers, etc., are subsidies that operate within the private housing market and incentivize private, profit seeking owners to provide housing to low-income households. The subsidies that decrease the cost of development and mortgages, allowing private owners to set lower rents are offered on a contractual basis and are not in the private owner's financial interest at the end of the contract (Schwartz, 2021, p.182).

The nation's largest project-based housing subsidy program, the Low-Income Housing Tax Credit incentivizes investors to invest in low-income housing developments by rewarding them with valuable tax credits that are sold on secondary markets. These credits are disbursed to state housing authorities who then distribute them within the state. The market for the credits is very competitive, and the value of these credits have grown over time (Schwartz, 2021, 119). It accounted for 24% of all multifamily rentals constructed in the nation from 1990 to 2016.

San Francisco

In total, affordable housing expenditures by San Francisco have ranged from $33mil to $196mil (SF Planning, 2020, p.41). Over the last 15 years, the average is $110 million per year. Of its $13 billion annual budget, this average amounts to 0.8% of the total city budget (Mayor's Office of Public Policy and Finance, 2022). The City's own identified annual need is $517 million to reach its 5000-unit annual production goal, which is still far below RHNA (SF Planning, 2020, p.2).

Most local funding for affordable housing is centralized and disbursed from the Mayor's Office of Housing and Community Development. Nearly all new affordable housing developments were owned by the MOHCD or were acquired with a loan from MOHCD (SF Planning, 2020, p.42).

LIHTC makes up most of the federal funding, the largest funding source for the City's affordable housing at 41%, followed by SF local funding at 37% of total costs, followed by state funding at 7% (SF Planning, 2020, p.42). California has its own housing fund, the California Housing Accelerator Fund, that recently accelerated the development timelines for three individual San Francisco projects, but cannot be relied upon in the long term for regular significant subsidies, barring significant legislative changes (Office of the Mayor, 2022).

Locally, in addition to assistance from the General Fund, housing specific taxes, impact and inclusionary housing fees, and a Housing Trust Fund constitute local funding for affordable housing. Development impact fees are charged on developers to help account for impacts on public services, infrastructure, transit, etc. San Francisco's Inclusionary housing policy mandates new developments to produce a percentage of its units as affordable, or pay a fee toward the City's development efforts. Though the costs of development mean only large, multifamily, market rate developments are financially feasible, inclusionary housing policy has only resulted in 8,425 affordable units from 2006 to 2018, a number that is not enough to meet the need and varies drastically with the pace of market rate development.

The Housing Trust Fund was only created in 2012, and received $42.4 million in FY 21-22 (MOHCD, 2022, p.10). A Homelessness Gross Receipts Tax created a new fund for MOHCD to acquire and maintain affordable housing (among other uses), which collected $394 million in 2020 but just $217.9 million in 2021, due to the pandemic (Moench, 2022). Concerns remain about the stability and reliability of the tax given the depressed economic environment. In sum, the current financial infrastructure is not enough to continually fund acquisition and development. Most subsidized affordable housing developments require a piecemeal, project by project process wherein developers must secure additional funding via grants, funds, mortgages, and other sources of financing.

<u>Vienna</u>

The Viennese government plays an active role in the management and production of housing. Vienna's social housing is funded by income taxes, corporate taxes, and housing-specific contributions by all employed residents (Pelleteret, 2020). Primarily, the Housing Fund Vienna (wohnfonds_wien) uses a wealth fund to acquire land and develop new projects. It acts as a land bank, holding 2.8mil sq kilometers of land in 2016 (Gluns, 2019, p. 222). Officially created in the 1980s as a separate legal entity that acts on its own behalf towards its purposes, it is always purchasing land, funding construction and redevelopment. According to the Executive Director of Vienna's Urban Planning, the fund has 500 mil euros annually, 55% for new development, 40% for urban renewal, and the rest for individual subsidies (Pelleteret, 2020).

In total, Vienna's annual housing budget amounts to $700 million with $530 million from the national government (Forrest, 2019). Of its $16 billion annual budget, this amounts to 4.3% of the total city budget (City of Vienna, 2022, p.22). This money is secure and not currently an issue, instead the supply of land the difficulty.

Subsidies mainly include a circular flow of public, low-cost mortgages, as well as grants. The Housing department disburses subsidies for new construction and rehabilitation.

Land Acquisition

At the beginning of its public housing program, Vienna controversially raised taxes and bought land at a time of hyperinflation and economic crisis (Blumgart, 2022). Vienna continues to acquire as many parcels as possible, many of which are not currently zoned for housing. Assets accumulated over time. Nonprofits' long histories and their own stock also allow room for even more development, should public subsidies cease. Vienna holds numerous areas and zones with development potential, up to 135,000 dwellings and several million square meters of potential office and center function space. Despite this, the recent competition from the private market has caused an ongoing, and likely permanent, reduction in the supply of land. The cost of land makes it nearly impossible for nonprofit developers to acquire land without participating in the developer competitions to compete for parcels and financing (Altreiter & Litschauer, 2022, p.8). Despite the larger geographical size, the market in which these nonprofits operate are like San Francisco, where land values have resulted in the same scarcity of space for development. In San Francisco, developers either buy property outright on the market, or, more commonly, approach the City for land and financing with strings attached.

San Francisco is geographically small, and from the perspective of large developers, has been considered almost fully developed due to existing zoning. A review of the zoning regulations (or a drive around town), however, shows the City still has significant land that is underutilized, especially height. Much of the City has been zoned for low, single-family homes, especially in the north, west, south, and southeast. Indeed, its planning department calls for mid- and high-rise development in all these areas, which are historically white and well resourced. It is within the City's legal authority to purchase properties in these extremely low density areas for development. Population density in San Francisco is certainly not at its limits.

Civil Grand Jury Report investigated underutilized public land in San Francisco and foresaw even more school district property becoming underutilized due to falling enrollments and demographic trends (Civil Grand Jury, 2012, p.27). San Francisco has also began redeveloping land owned by its Municipal Transportation Agency, much like the Viennese strategy of redeveloping underutilized railway land, as massive rail networks of past decades are no longer used. There are plenty of opportunities to create housing, should San Francisco decide to invest.

Solution – Revenue Generation to Fund Development

Moving forward, San Francisco must invest heavily to gain substantial market share of housing and to stabilize the housing situation. Aside from clear political commitment and endorsement of such a strategy, it can utilize known methods to generate capital.

It can issue bonds, as it is not yet at its legal debt limit which is 3% of total assessed value of taxable property, or $9.86 billion. As of July 2022, the city has authorized 1.25% of total assessed value, or 42% of the limit (SF Department of Elections, 2022). This would require political leadership and a vote of its residents.

It can raise taxes. Austria has a Value Added Tax that ranges from 10% on basic items to the standard rate of 20% (Weismann, 2017, p.4). Comparably, San Francisco's sales tax rate is 8.63%. This rate went into effect in 2021 as a result of the 2020 election.

Vienna has a 3.5% real estate transfer tax, a 1.1% title registration duty, and a 3.5% land acquisition tax (Luxury Vienna, 2020). San Francisco's real estate transfer tax is calculated based on the value of the property. With an average home value of $1.42 million, the current real estate transfer tax for that property, approved by voters in 2016, is $3.75 for each $500 portion = $10,650, or 0.75% of its value (SF Assessor, 2017). This is a remarkable difference. SF San Francisco's property tax rate is 1.18%, while Vienna's can range from 0.2% to 1%.

Political environments naturally differ, but the gaps in financing are clear. For San Francisco to reclaim the market, it must embark on a stable, long-term strategy of financing land acquisition and raising capital. The City has signaled intent to pursue some form of social housing (Wright, 2022). The State of California as well has seen legislation introduced. To realize such visions, an ecosystem of nonprofit developers must be funded, and discipline of the market will require robust and sustained fundraising and investment.

Challenges / Caveats

Acknowledging the fact that the main task for San Francisco's leaders is political in nature, we also consider significant challenges to an attempt to de-commodify. Development processes, which we did not go into detail, represent administrative burdens, costs, and barriers to developers. Both cities are known for their byzantine codes and regulations that require considerable expertise to navigate. San Francisco is infamous for its difficult system, as the FBI recently arrested and convicted its Public Works Director who plead guilty and admitted to accepting bribes in exchange for approvals on developments (Van Derbeken & Bott, 2021).

In Vienna, these complex rules and regulations result in the significant investment needed to submit a design for its developer competitions, creating difficulty for smaller nonprofit developers – cities may consider subsidizing submissions to promote proper competition. Political discretion also prohibits a predictable development environment. Environmental reviews, while important, have been abused to prevent development.

Intergovernmental policies and subsidies are often outside of cities' scope of influence. While the regulation and effects of housing affordability are primarily felt in localities, city governments are unable to address all the extraneous factors that affect housing costs given their limited jurisdiction and resources (Keating, 2020, p.7). A simple real estate transfer tax increase, for instance, is made difficult by the state constitution limiting yearly property tax increases. This limit, known colloquially as Proposition 13, results in reassessments after transfers, and much higher tax bills. Opponents argue that this is effectively a higher transfer tax, dampening support for this straightforward avenue for revenue generation.

As a capital city, Vienna receives much more significant federal resources for housing than San Francisco, making San Francisco's $110 million budget look better compared to Vienna's internally raised $170 million, but the responsibility and pressure remain on local leaders to produce results, even if those responsibilities include negotiating with state and federal governments.

Conclusion

The complex market-based strategies of American housing policy have failed to create the affordable housing needed to prevent the deterioration of society. America has learned from its mistakes before, including those in public housing design and discrimination, and it must come to terms with the sensibility of de-commodified housing. This does not come cheaply especially given the market's free reign of the past decades, but San Francisco has in its policy toolkit underutilized means of funding a sustained subsidized housing program, through bonds, taxes, and the creation and facilitation of a nonprofit development ecosystem. It need not reinvent the wheel. We see that time and sustained investment explains the success of Vienna today. Vienna showed that the best time to start government participation in the housing market was a hundred years ago, and as they say, the second-best time is now.

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