BELOW MARKET RATE OWNERSHIP PROGRAMS

Mayor's Office of Housing and Community Development

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BMR Ownership Policy Goals

Provide affordable ownership opportunities below market rates

Create a stable pathway to homeownership for low- to middle-income households

BMR Ownership Programs

1979 — Condo Conversion Program
(Subdivision Code 1344)
Resales

1992 — Inclusionary Affordable Housing Program
(Planning Code Section 415)
New Sales & Resales

2002 — Limited Equity Program
(Development Agreement)
New Sales & Resales

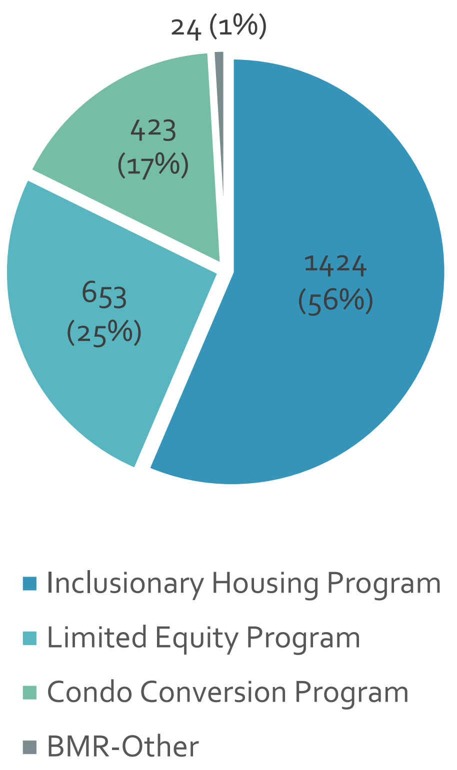
- Each BMR Program has specific governing documents
- BMR Programs change and improve over time
- Four adopted manuals: 1992, 2007, 2013, and 2018

BMR Ownership Portfolio Overview

Program Name	# BMR Inclusionary Buildings	# BMR Units	AMI Range
Inclusionary Housing Program	165	1,424	50% - 150%
Limited Equity Program	56	653	58% - 120%
Condo Conversion Program	137	423	80% & 120%
BMR-Other*	2	24	80%
Total	**360**	**2,524**	**50% - 150%**

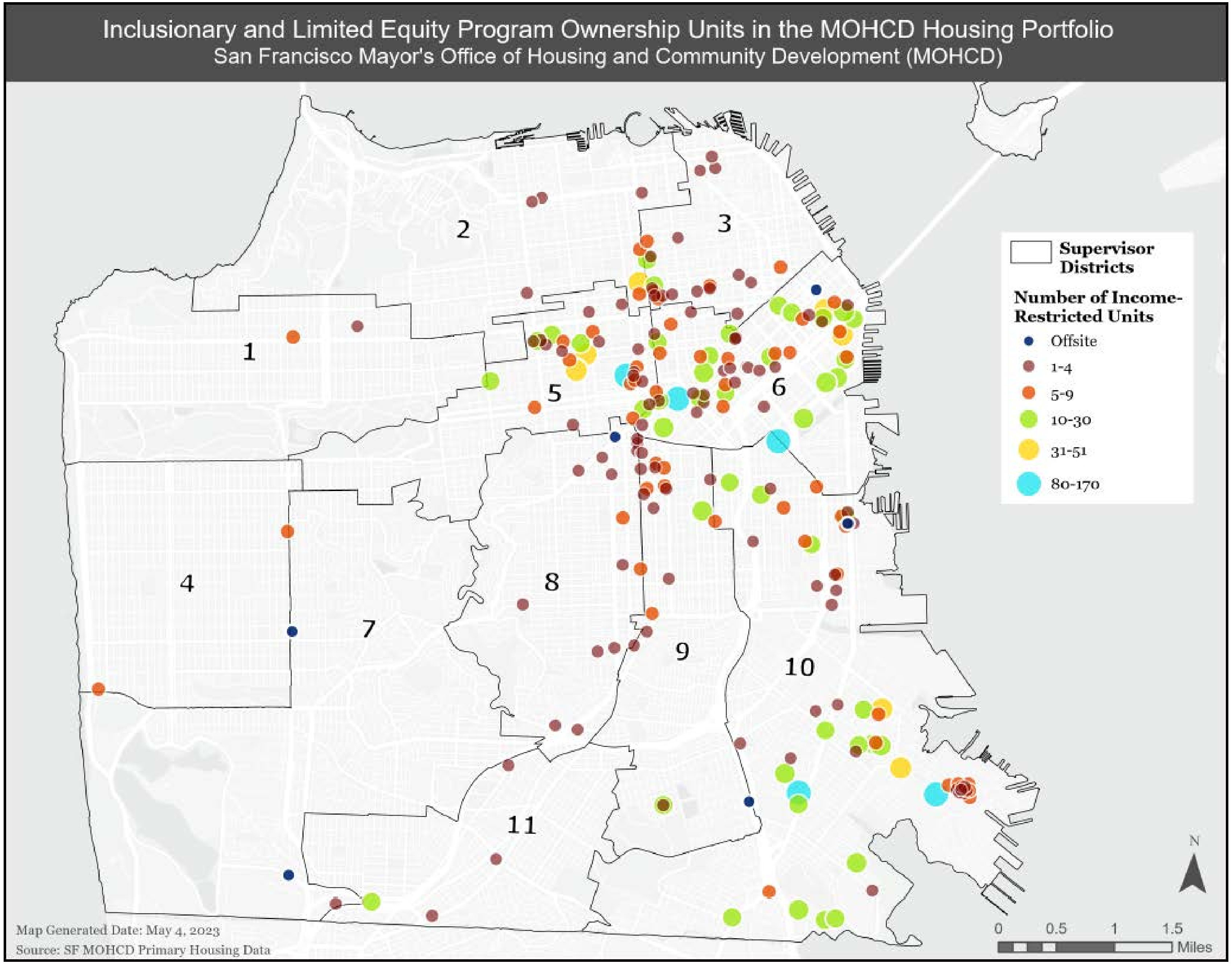
* Special affordable housing projects (Habitat and Live/Work Artist Units)

BMR Units by Program

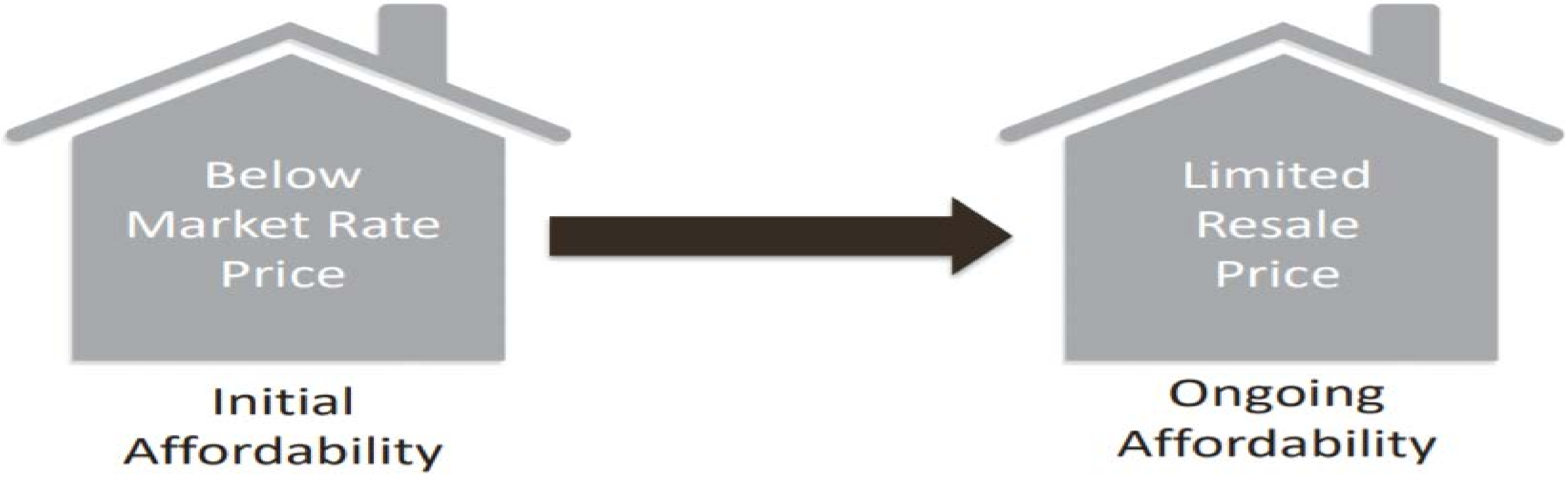


BMR Units by Supervisory District

District	%
D1	0.9%
D2	2.7%
D3	3.0%
D4	2.0%
D5	8.2%
D6	47.2%
D7	0.3%
D8	9.6%
D9	5.5%
D10	19.6%
D11	1.0%

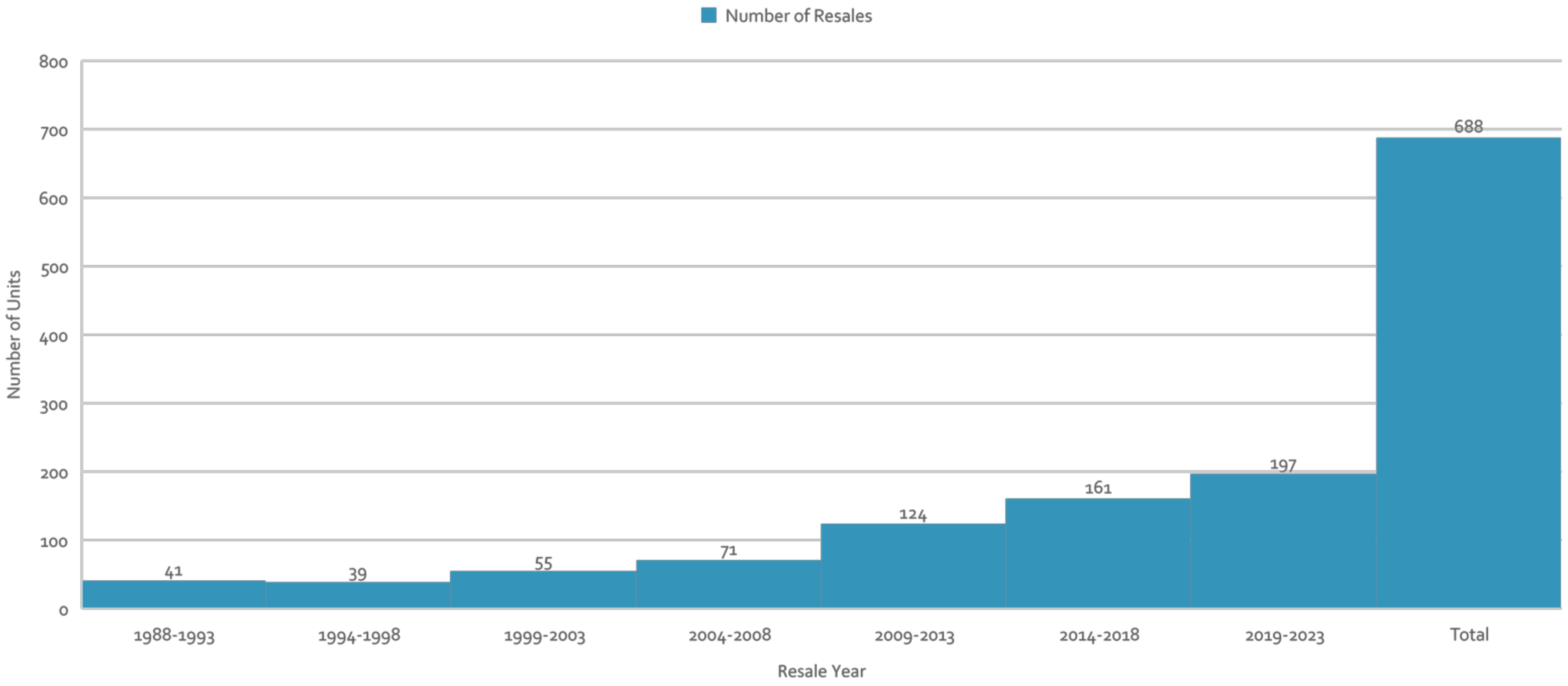


BMR Resale Restrictions



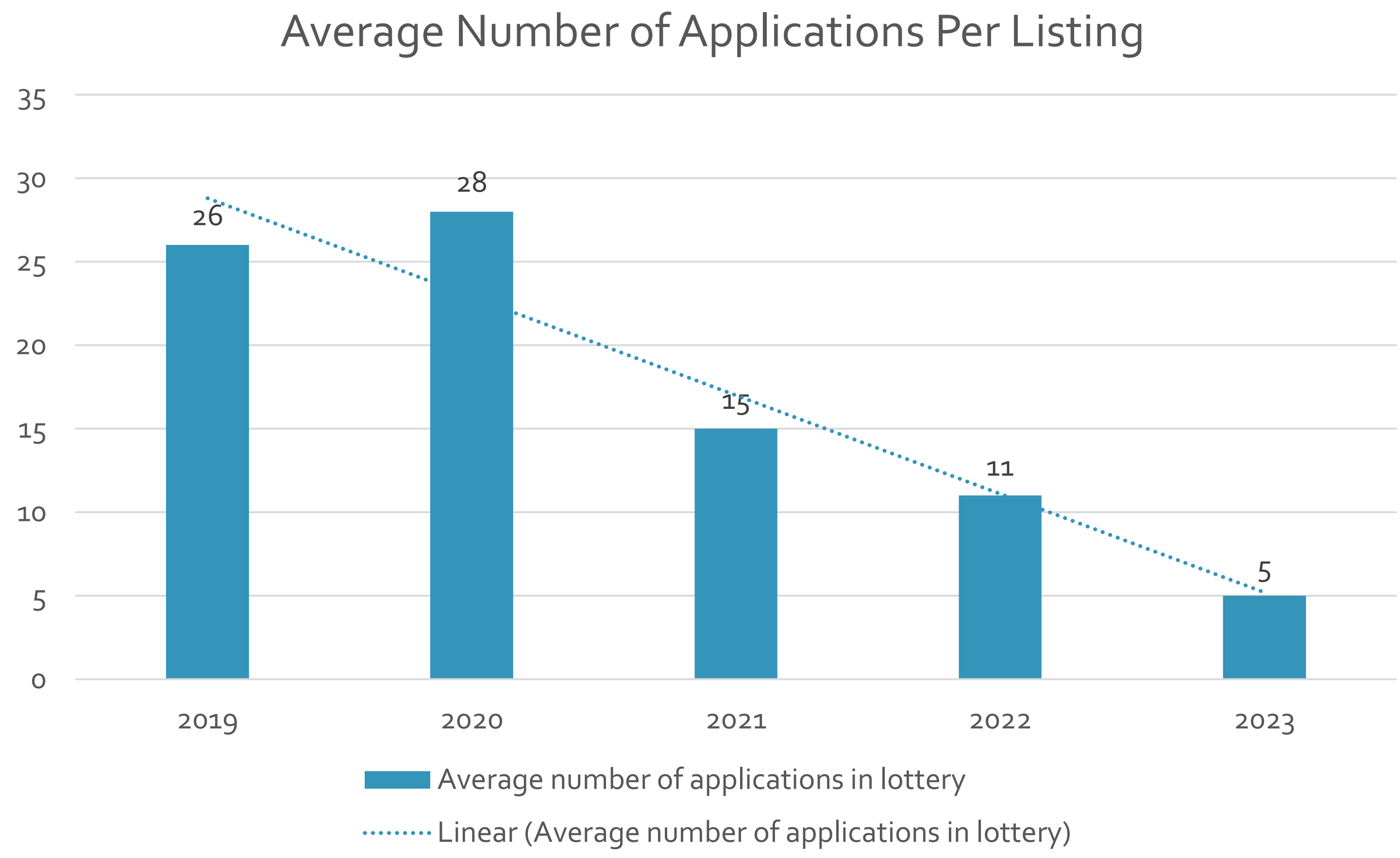
- BMR units must be resold using MOHCD’s resale procedures to an eligible buyer whose income falls within the Area Median Income (AMI) designated on the unit.
- BMR resale prices are restricted to maintain their affordability for future buyers.
- Term of Restrictions: typically life of the project or 50-year term.

BMR Units Resold Over Time



- 688 units resold over time: Average length of ownership is 9 years; average gain in equity is $96,000 for recent sales
- Selling a BMR home generally takes 6-8 months from start to close of the sale, but it can take longer to find an eligible buyer for various reasons (i.e., sales price, location, and condition of the property).

Decline in Number of Applications for Resale BMRs



Seller Resale Timeline

Months	# of Units	%
< 8 months	167	85%
9-12 months	21	11%
> 12 months	9	4%
Total	197	100%

- Closed BMR Resales (since 2019): 197
- Average months from listing to closing: 6.62

Buyer Resale Timeline

-21 Days- Application Period

- Applicant: complete 10-hr homebuyer education
- Applicant: obtain a first mortgage loan pre-approval

-14 Days- Application Audit & Preference Verification Prior to Lottery

- MOHCD: review applications and contact applicants for missing info
- MOHCD: prep lottery; verify preferences; remove duplicate applications; post preference results
- Applicant: 48 hours to submit missing info or appeal a preference denial

-7 Days- Full Application Deadline After Lottery

- Sales Agent: invite lottery winners by phone/email/text to submit a full application
- Applicant: 5 days to submit full app
- Applicant: contact housing counselor for application assistance if needed

-21 Days- MOHCD Conditional Approval

- MOHCD: underwrite household program eligibility and contact applicant for additional info
- Applicant: 3 business days to respond to underwriting requests
- Disqualified Applicant: 3 business days to appeal to MOHCD

-37 Days- Sales Contract & First Mortgage Loan Approval

- Sales Agent & Applicant: 7 days to sign sales contract
- First Lender: 30 days to submit lender package to MOHCD for final approval

-45 Days- Final Approval & Closing

- MOHCD: 15 days to review lender package and request additional/missing info and schedule a pre-closing session with homebuyer; prepare closing documents
- MOHCD, Lender, Title Company: 30 days for final approvals, signatures, and funding the transaction to close

Maximum Resale Price vs. Affordable Price

Maximum Resale Price

- Not a guaranteed sale price
- The maximum price at which the BMR owner can list the unit; selling price depends on interest of eligible buyers
- Calculated according to the agreement made at the time the seller purchased the unit
- Agreement terms determined by Planning Code, Inclusionary Manual, or other governing document
- Depending on agreement terms and the residency term of the prior owner, the maximum resale price could exceed an affordable price for the new buyer
- A buyer's ability to afford this maximum resale price depends on the buyer's financial situation (such as a larger down payment)

Affordable Price

- "Affordable" is defined by (1) unit AMI designation, (2) no more than 33% of gross household income, and (3) other rules in Planning Code, Inclusionary Manual or governing document
- The maximum resale price of some older BMR units exceeds the affordable price, because the resale pricing formula does not factor in the housing costs of the proposed buyer.

Formulas for Maximum Resale Price

Condo Conversion Program

Index-formula

- Area Median Income (AMI)
- Annual Income by 2.5
- Consumer Pricing Index (CPI)

Inclusionary Housing Program

Index-formula

- Area Median Income (AMI)
- Cost of Funds Index (COFI)
- Consumer Pricing Index (CPI)

Limited Equity Program

Mortgage-formula

Affordability

- Pricing for resale tied to affordability at target AMI;
- Assume 33% income expended on housing costs;
- Resale calculation uses current data at time of sale

Other costs added to the maximum resale price: 5% real estate commission fee and capital improvement costs (if any)

Resale Pricings with Maximum Resale Price & Affordable Price: 64 (since 2019)

46 units sold (average gain in equity $124,055)

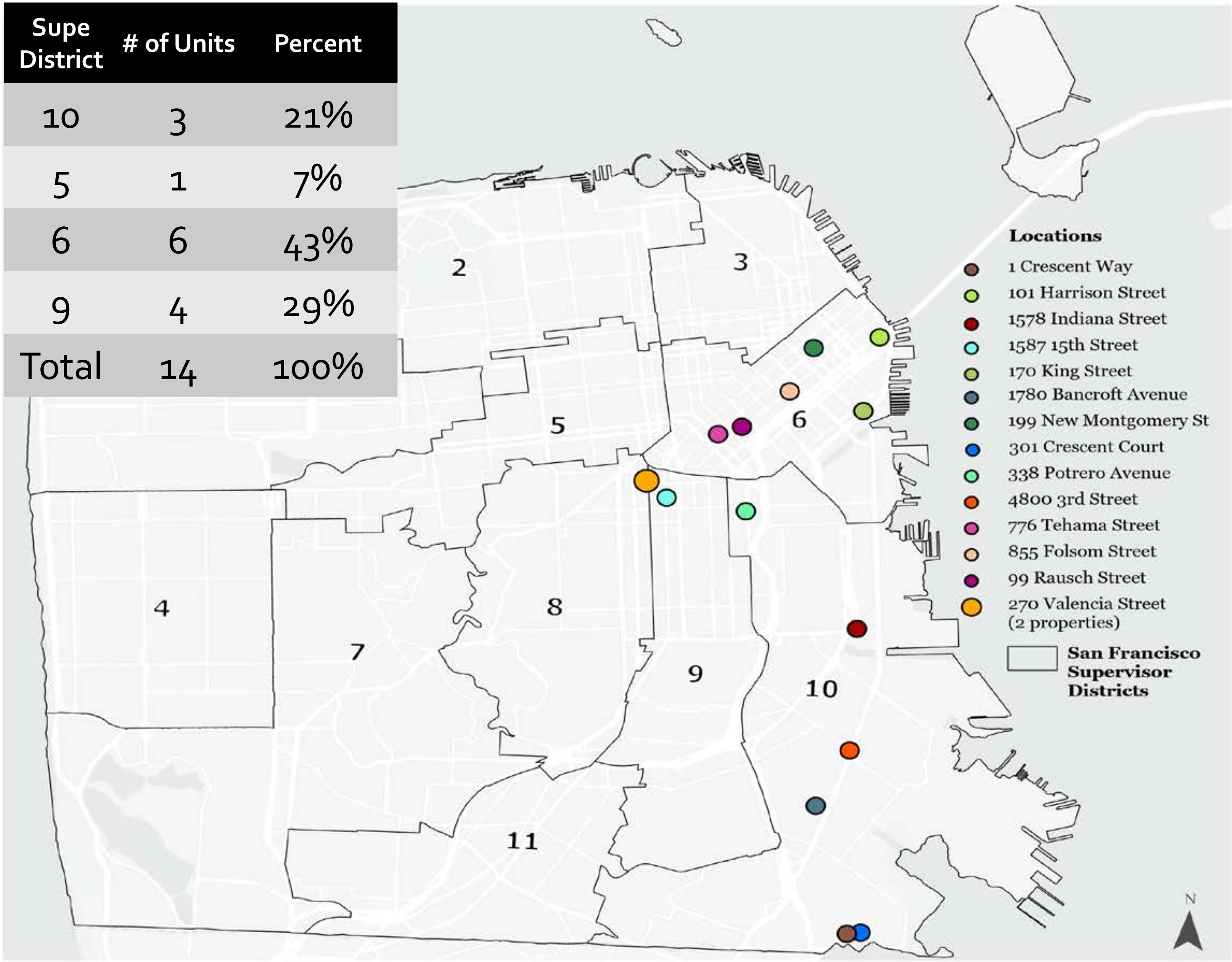
- 28 sold at maximum resale price
- 9 sold at an affordable price
- 7 sold between maximum resale price and affordable price
- 2 sold below an affordable price (1 sold at a loss)

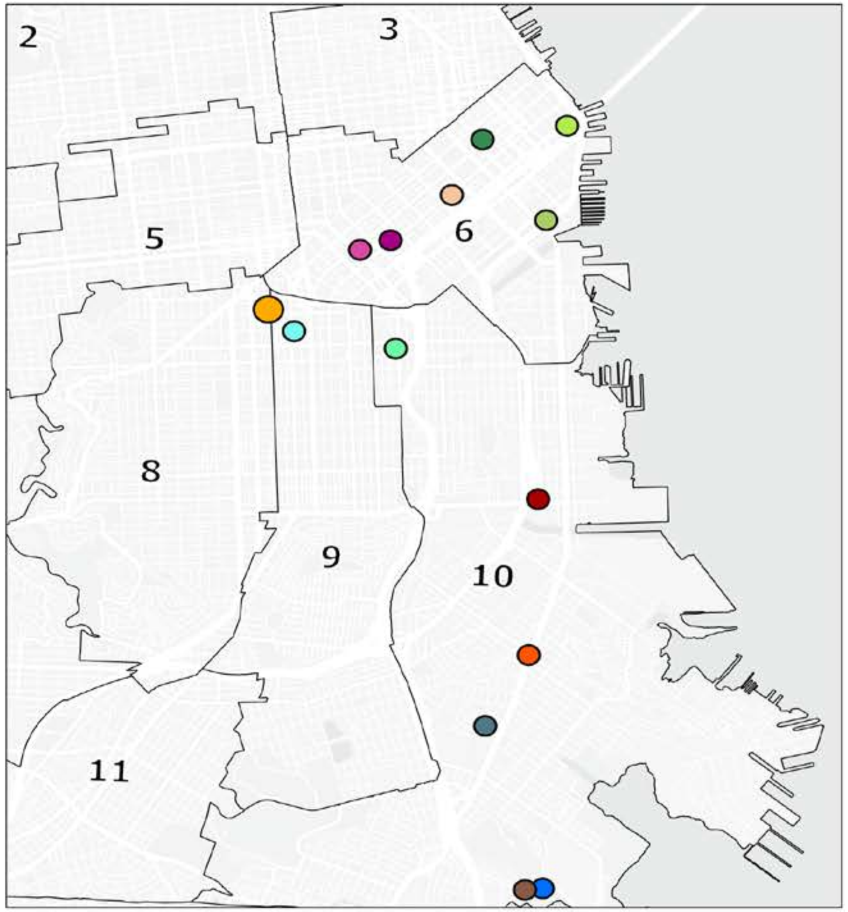
18 units for sale

- 4 in contract
- 4 have potential buyers (applications in process by MOHCD)
- 10 need buyers (no applications received by MOHCD)
    - **1 selling at a loss**
    - **8 listed for over 6 months (1 listed for 18 months)**

14 BMR Resale Units Actively Selling on the Market

Supe District	# of Units	Percent
10	3	21%
5	1	7%
6	6	43%
9	4	29%
Total	14	100%





Map Generated Date: May 4, 2023
Source: San Francisco MOHCD Primary Housing Portfolio Data

Spatial Reference
Name: NAD 1983 StatePlane California V FIPS 0405 Feet
PCS: NAD 1983 StatePlane California V FIPS 0405 Feet
GCS: GCS North American 1983
Datum: North American 1983
Projection: Lambert Conformal Conic

0 0.5 1 2 Miles

Resale Challenges

Market Conditions

- Volatile condo market
- Competition with newly-built units
- High interest rates
- Fewer buyers

Unit/Building Conditions

- Unit size
- Unit condition
- Building location
- Building amenities / parking

Addressing These Challenges

- Programmatic changes to simplify process:
  - Simplifying the rules between programs (OCII DAs, MOHCD)
  - Revised closing documents
- Disclosures for higher-priced BMRs since 2019
- Concessions for pre-2019 sellers and their buyers
- Program marketing campaign to address the market conditions and increase applicant pool
- New manual will adjust affordable price v max price allowance for future buyers
  - Summer 2023: community engagement
  - Fall 2023: draft released for public comment

Additional Possible Change

- For units facing potential loss on initial investment, adjust the unit's pricing and qualifying AMI to allow the seller to avoid a loss
  - Up to 130% pricing AMI under Planning Code
  - Requires Code amendment

- Develop a preferred realtor list
  - Provide realtor education

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The Mayor's Office of Housing and Community Development

THANK YOU