

BELOW MARKET RATE RENTAL VACANCIES



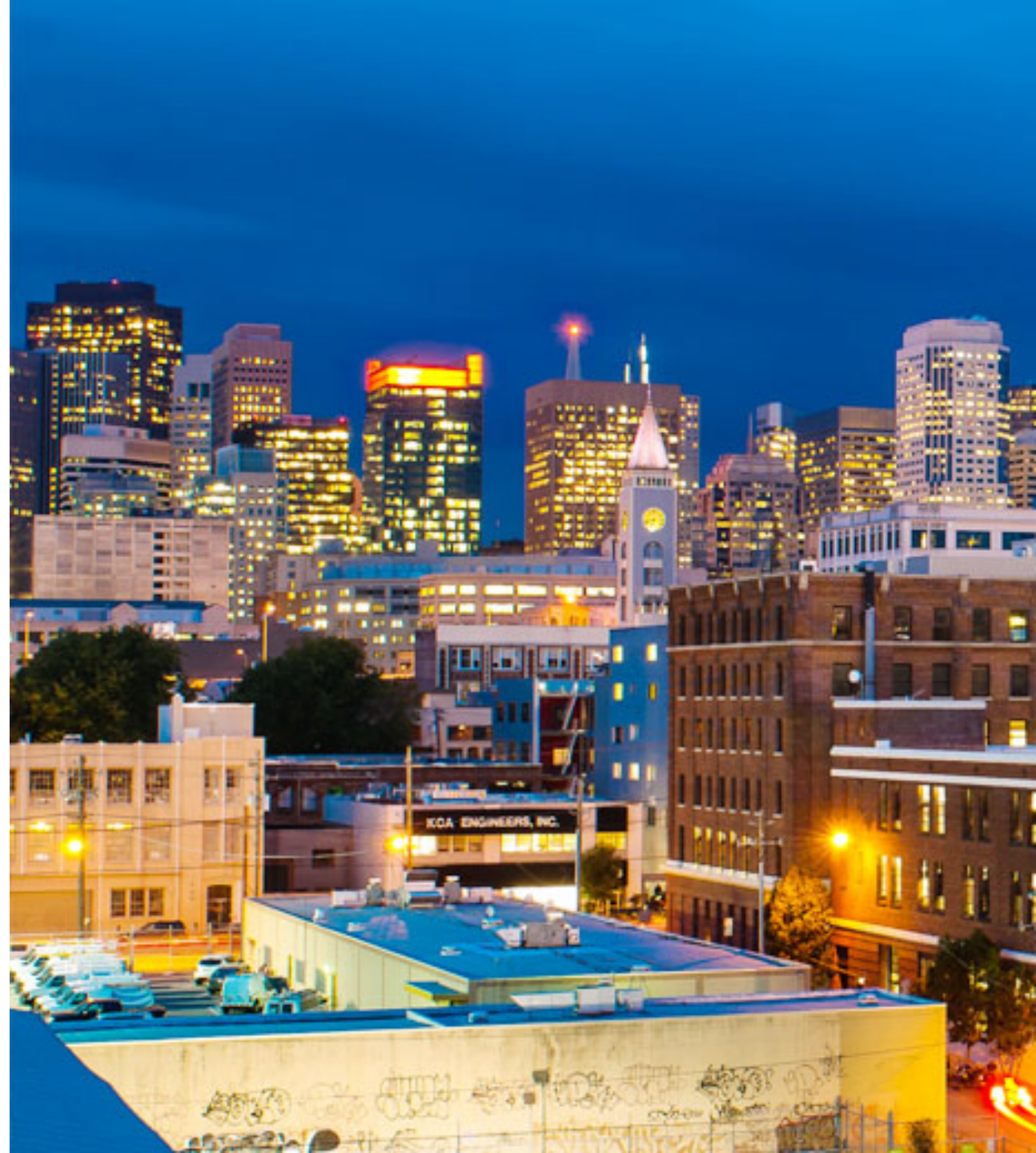
**Mayor's Office of Housing
and Community Development**

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June 6, 2022



Below Market Rate Program Goals

Access private funding for affordable housing production

- Codified in Planning Code Section 415

Increase efficiencies for tenants/owners and property developers

- Web based leasing portal and application
- Adequate time for applications and response
- Streamline process
- Technical Assistance for tenants/owners and property developers
- Supporting lenders for ownership



BMR Rental Units

Privately Funded Homes in Market Rate Buildings of 10 or More Units

Total BMR rental units

- 1961 units in 101 buildings
- 270 units added in 10 buildings in 2021
- 74 units added in 3 buildings in 2022

2022 Affordability Percentage

- 14% of all units if 10-24 units
- 20% of all units if >25 units

Area Median Income (AMI) levels

- 55%
- 80%
- 110%



2022 BMR Rental Rates

	Annual Income
55% 1-person household	\$53,350
55% 2-person household	\$60,950
55% 3-person household	\$68,600
80% 1-person household	\$77,600
80% 2-person household	\$88,700
80% 3-person household	\$99,750
110% 1-person household	\$106,700
110% 2-person household	\$121,950
110% 3-person household	\$137,150

	Studio rent	1 bedroom rent	2 bedroom rent
55% AMI	\$1,171	\$1,292	\$1,410
80% AMI	\$1,777	\$1,986	\$2,189
110% AMI	\$2,505	\$2,817	\$3,124



Complete AMI categories and rental rates are available at:
<https://sfmohcd.org/income-limits-and-rent-limits-below-market-rate-rental-units>

BMR Renters & the Market

Current BMR renters

- 43% AMI average at move-in
- 30% of current households have 1 or more children
- 9% of current households have at least 1 senior
- 10% of BMR renters use rent subsidies like Section 8 vouchers to support rent payments

Factors Impacting BMR & Market-Rate Units

COVID Impacts

- More housing supply available
- Less margin between market and BMR rents
- Changes in applicant income
- Concessions to address market conditions

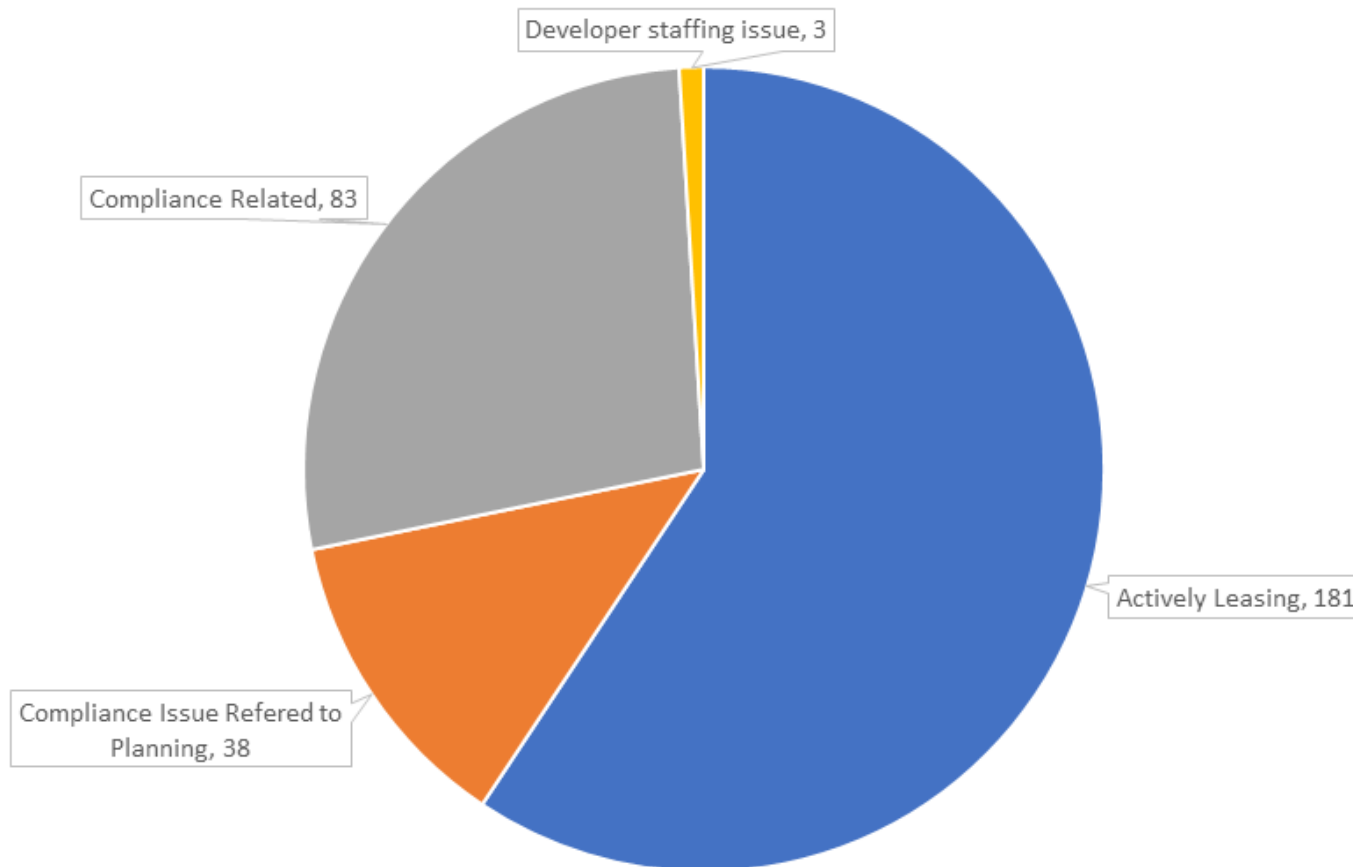
Changing Household Preferences

- Unit size
- Working from home
- Bedroom count
- Limited parking
- Location



Vacancies in New BMR Rental Units

Total vacancies (March 31, 2022): 305



Status Update (May 31, 2022)

Of those units:

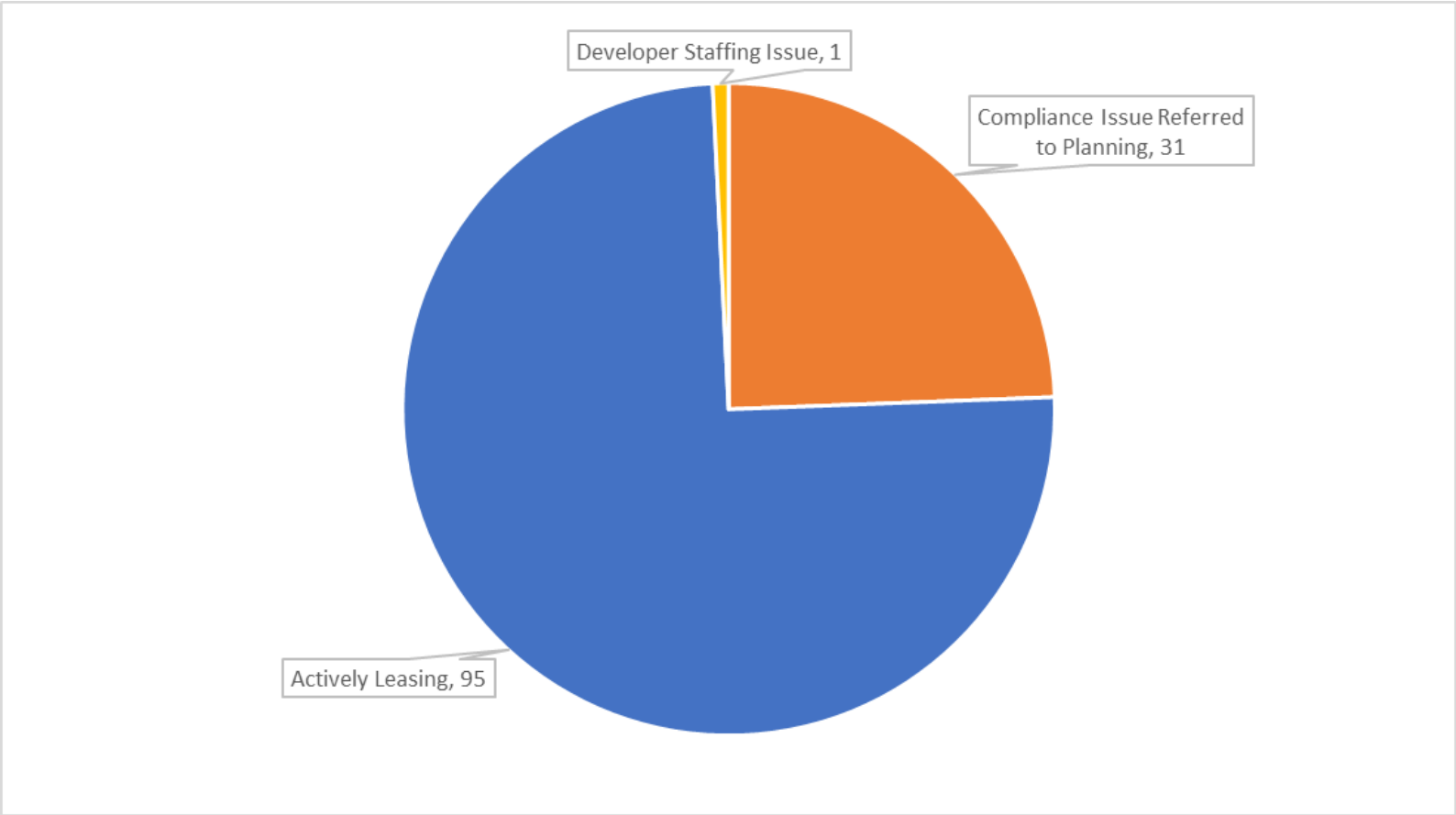
- **116** new advertised vacancies (lotteries were held in the past 6 months)
- **40** leases signed
- **17** vacant units sold to HSH
- **5** units under penalty

127 units with delayed lease-up

BMR Units with Delayed Lease-Up

Units that had lotteries more than 6 months ago

127 units



Status of Units with Delayed Lease-Up

Actively Leasing

- Delays between lottery and leasing due to NSR changes
- Lease changes delayed signing
- Slow progress with both BMR & market-rate units

Compliance: Referred to Planning

- 4 properties have received a Notice of Complaint for slow lease up

Developer Staffing Issues

- Staff turnover and hiring difficulties

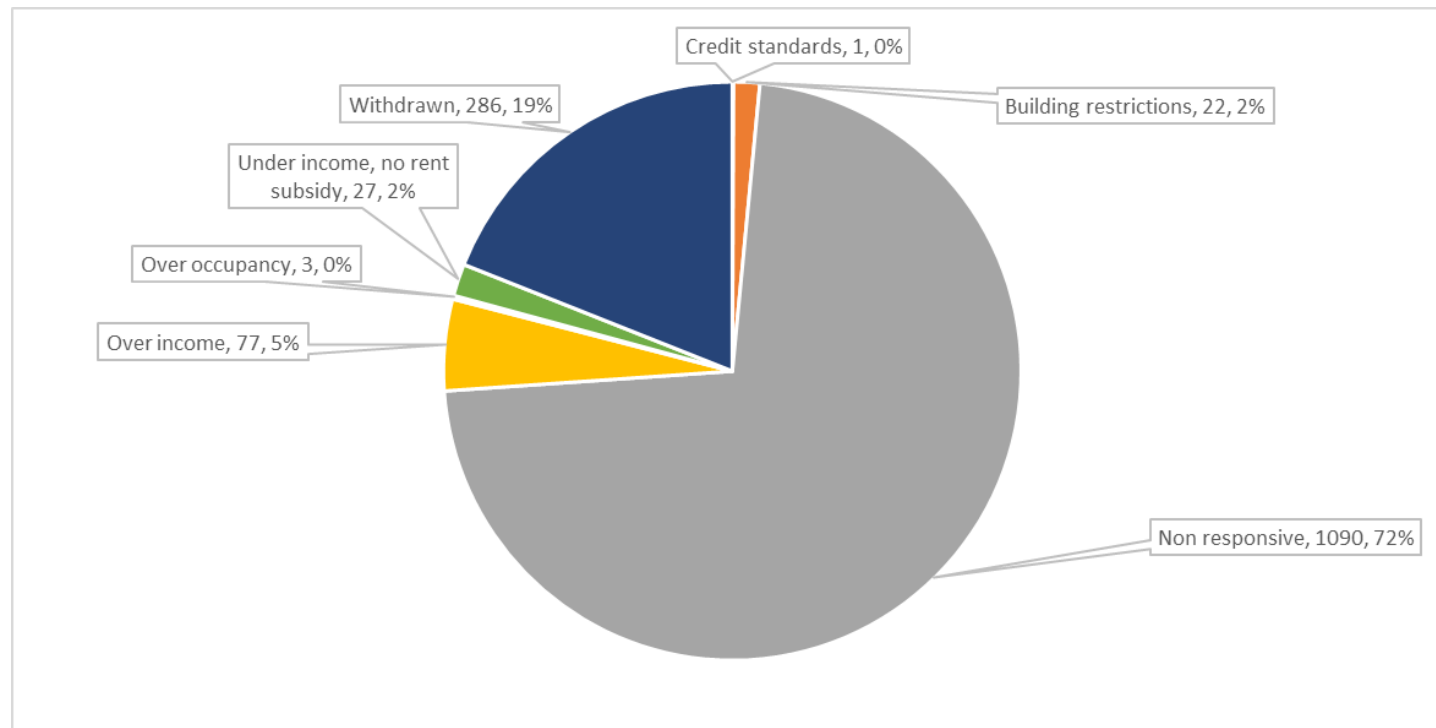


Reasons for Delayed Lease-Up

For BMR units listed more than six months ago

To fill a unit, an average of 31 applicants are contacted.

Reasons applicants left the applicant pool for the 127 vacant unit:



Every non-responsive applicant is contacted by:

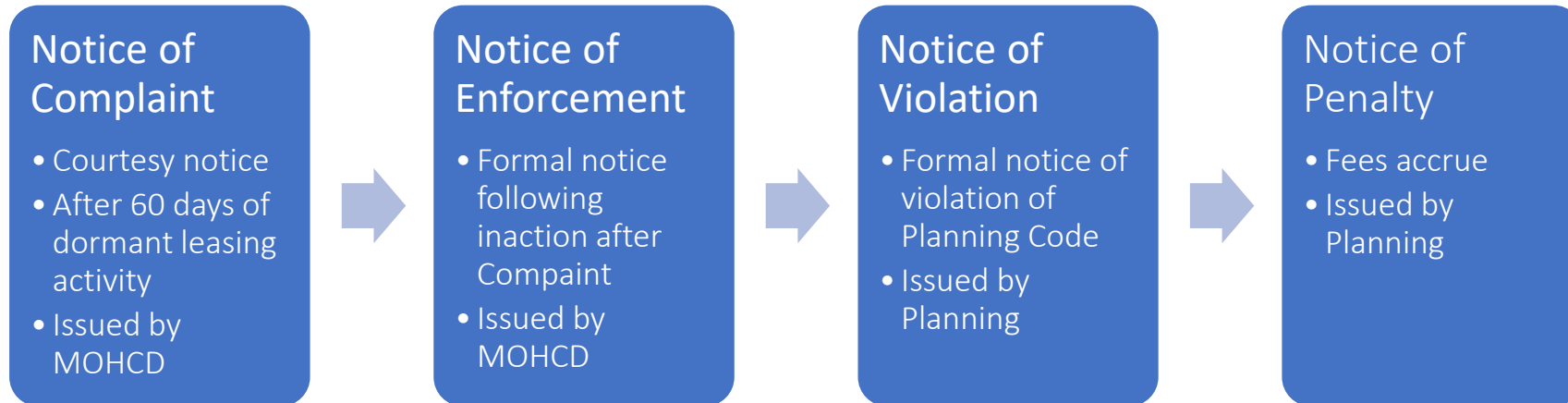
1. Email
2. Snail Mail
3. Phone Call
4. Text
5. Alternative Contact

+ An appeal period is granted for delayed response

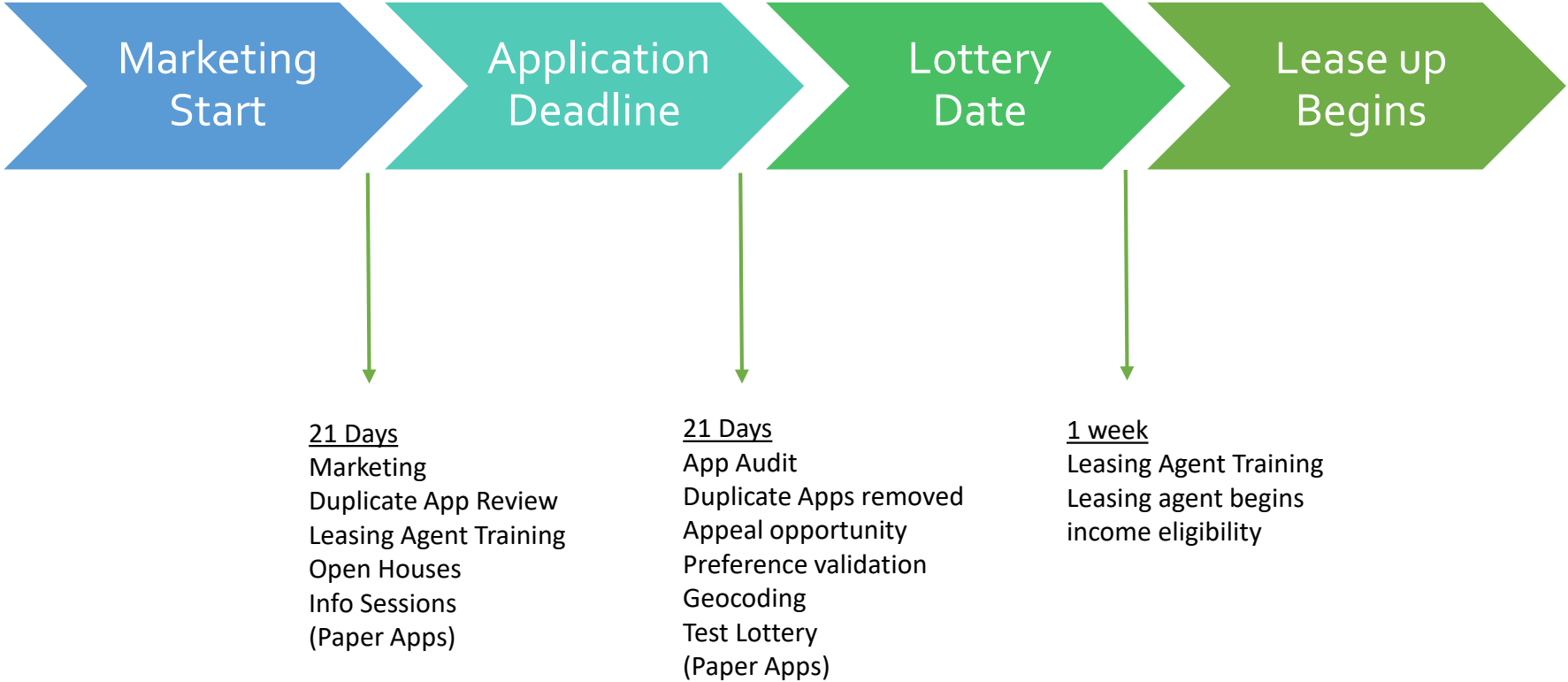


Compliance Enforcement Process

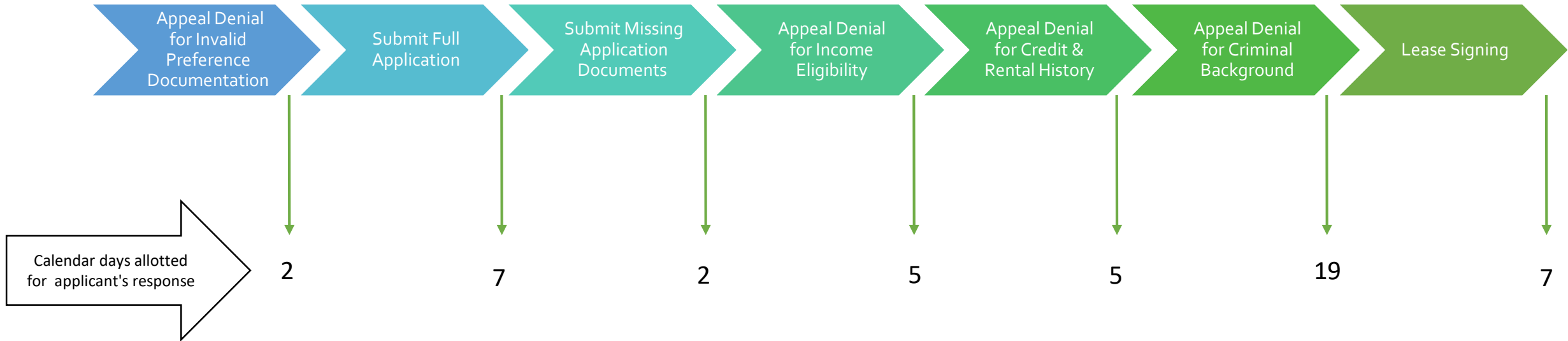
--> MOHCD works closely with developers to support lease up
Enforcement is employed after all other supports have been used



Marketing and Lottery Timeline



Post Lottery Applicant Timeline



Post-lottery timeline depends on various factors including the number of application reviewed and developer capacity.



Resources for Developers to Lease Up

Pre-pricing and marketing, meetings with developer

Trainings & Webinars

1:1 DAHLIA trainings

DAHLIA Partners to manage lease up

Affirmative Fair Housing Marketing Support

Income eligibility tools

Bi-weekly MOHCD office hours



Resources for BMR Applicants

Application Assistance

DAHLIA Tutorials

1:1 Housing Counseling

On-Demand Appeal Assistance

Monthly Workshops

Language Access

→ MOHCD provides \$2.22M annually to 12 community organizations and nonprofits to assist applicants



BMR Program Enhancement

Implemented

- Multilingual Templates
- Leasing Agent Lease-up Manual
- Live Virtual Lotteries
- Improved enforcement process

Upcoming

- 2023 Community Engagement for Inclusionary Manual Update
- Further Build Out to DAHLIA and Leasing Portal





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**The Mayor's Office of Housing
and Community Development**

THANK YOU

Affordable Housing Lottery Background

2008 *Certificate of Preference*: For households displaced by the former SF Redevelopment Agency in the 1960s and 1970s

2014 *Lottery Preference for Displaced Tenants*: 20% lottery units reserved for evicted tenants

2015 *Board Hearings*: Requests for expanded lottery process timeline for applicants

2017 *DAHLIA launch*: Online lottery application portal

2017 *MOHCD Monitoring Program*: Oversight of developer/tenant placement

2017 *Lottery Neighborhood Preferences*: 40% lottery units reserved

2017 *Board Ordinance*: Modified AMI levels and percentage of BMR units

2018 *Inclusionary Manual Update*: Standardized eligibility criteria

2023 *Inclusionary Manual Update*:



Factors Contributing to Vacancies

COVID Market Impacts

- More housing supply available
- Less margin between market and BMR rents
- Concessions to address market conditions
- Changes of applicant income
- Changing desires to move during pandemic

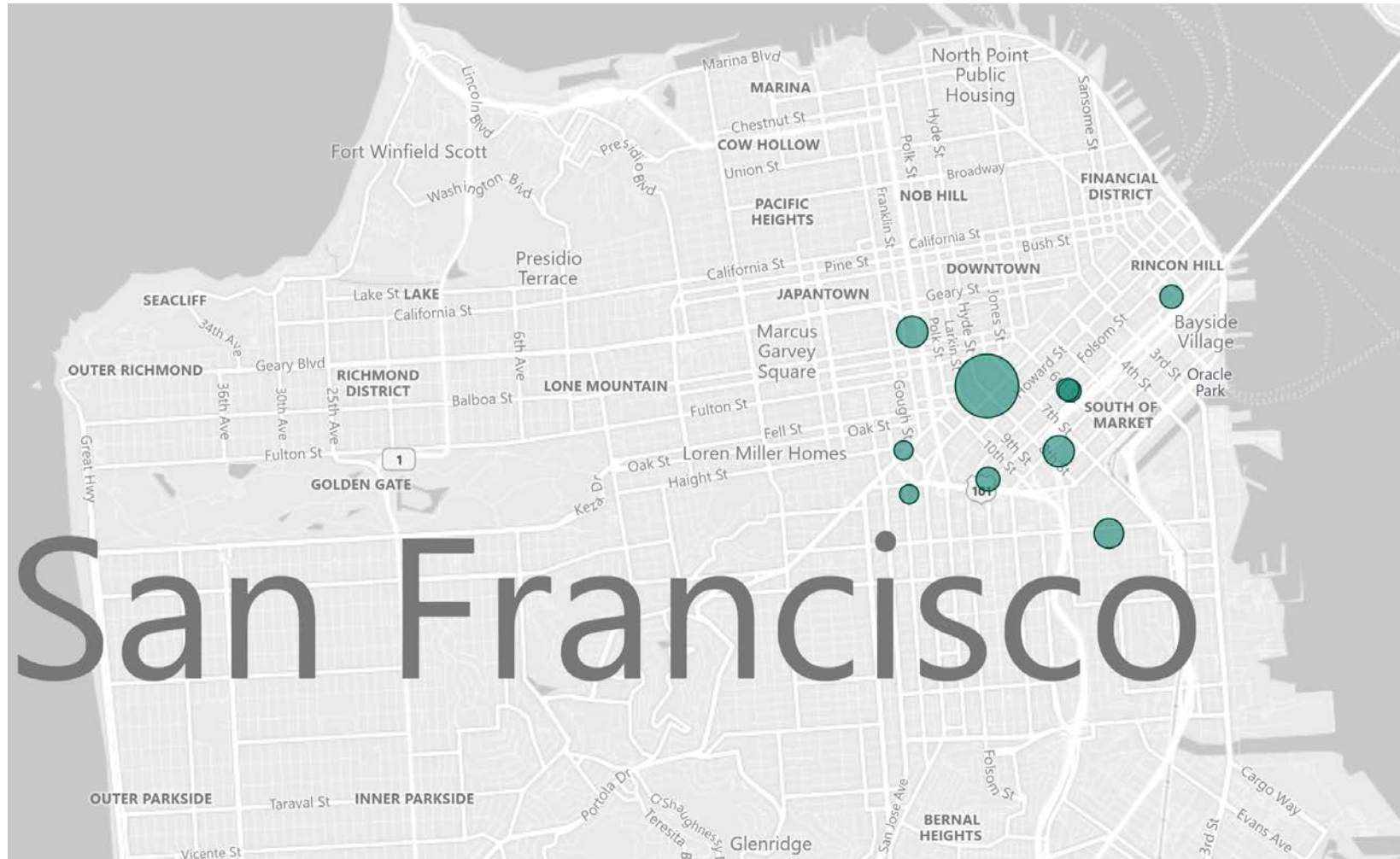
Changing Household preferences

- Size of units
- Working from home
- Number of bedrooms
- Limited parking
- Location



Broadway Cove; Photo by Bruce Damonte

Delayed Lease-Up BMR Locations



San Francisco



BMR units listed more than six months ago