

# 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



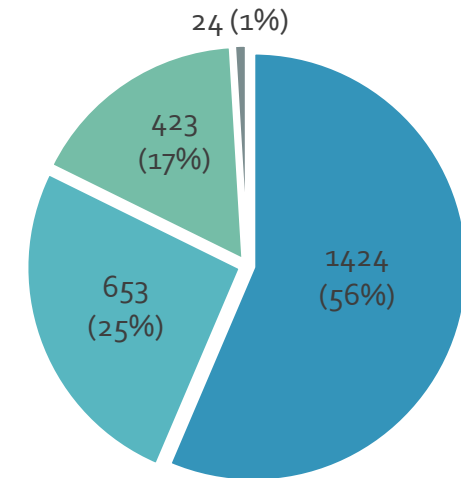
- Each BMR Program has specific governing documents
- BMR Programs change and improve over time
- Four adopted manuals: 1992, 2007, 2013, and 2018



# 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%
<b>Total</b>	<b>360</b>	<b>2,524</b>	<b>50% - 150%</b>

# BMR Units by Program



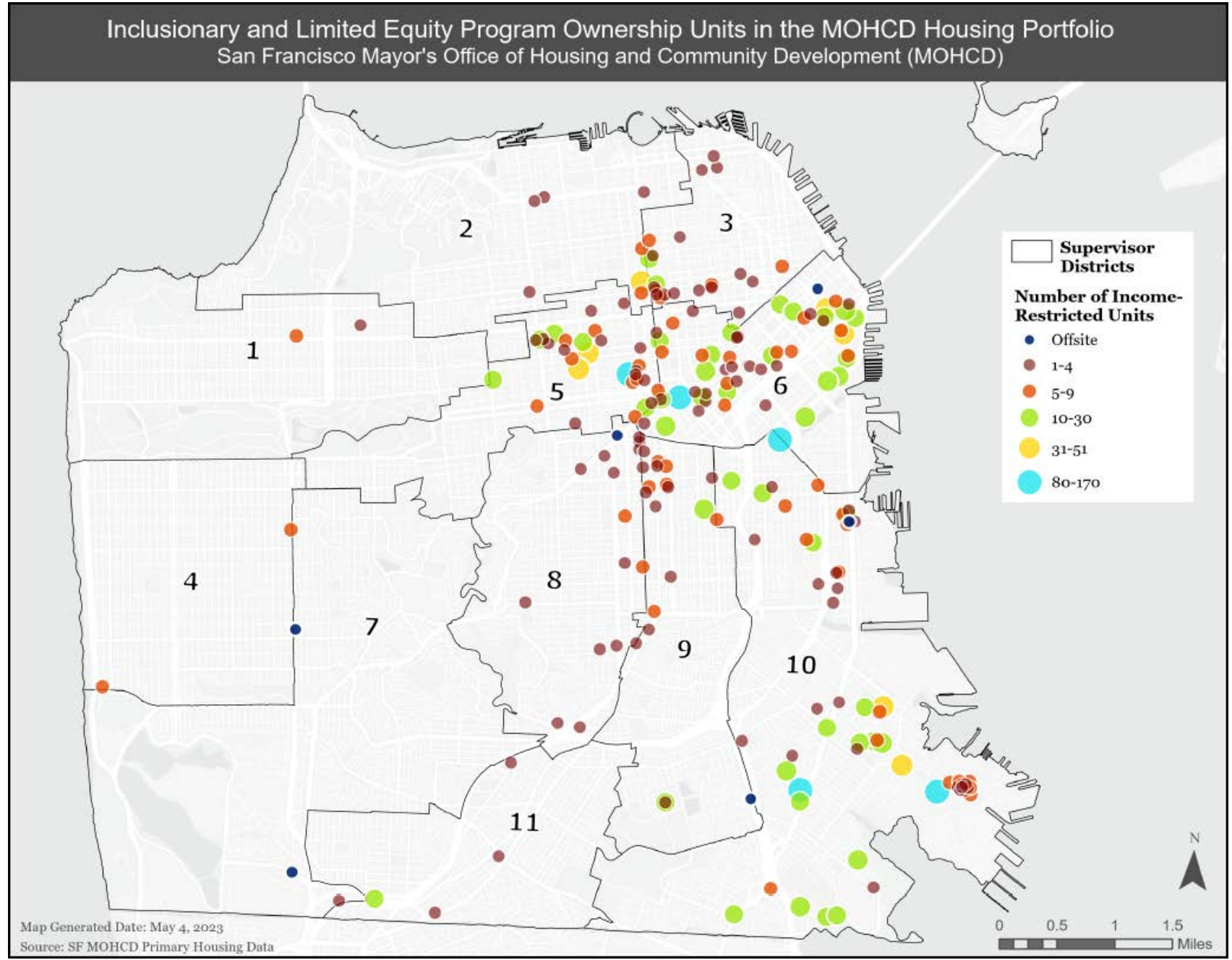
- Inclusionary Housing Program
- Limited Equity Program
- Condo Conversion Program
- BMR-Other

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

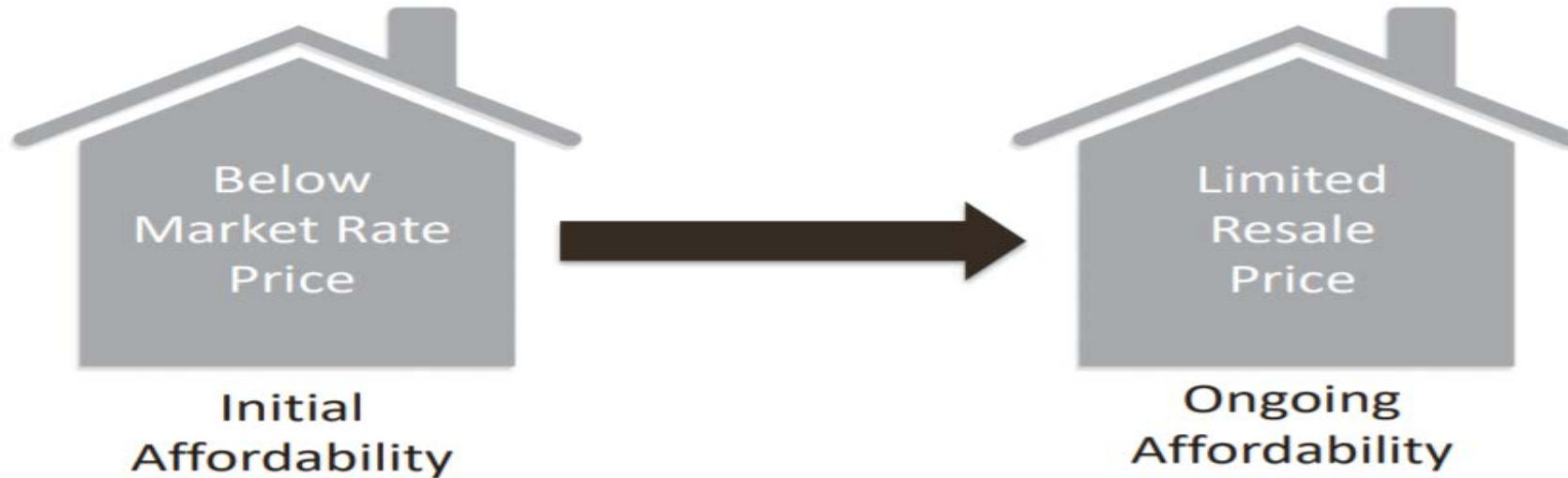


# BMR Units by Supervisory District

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%



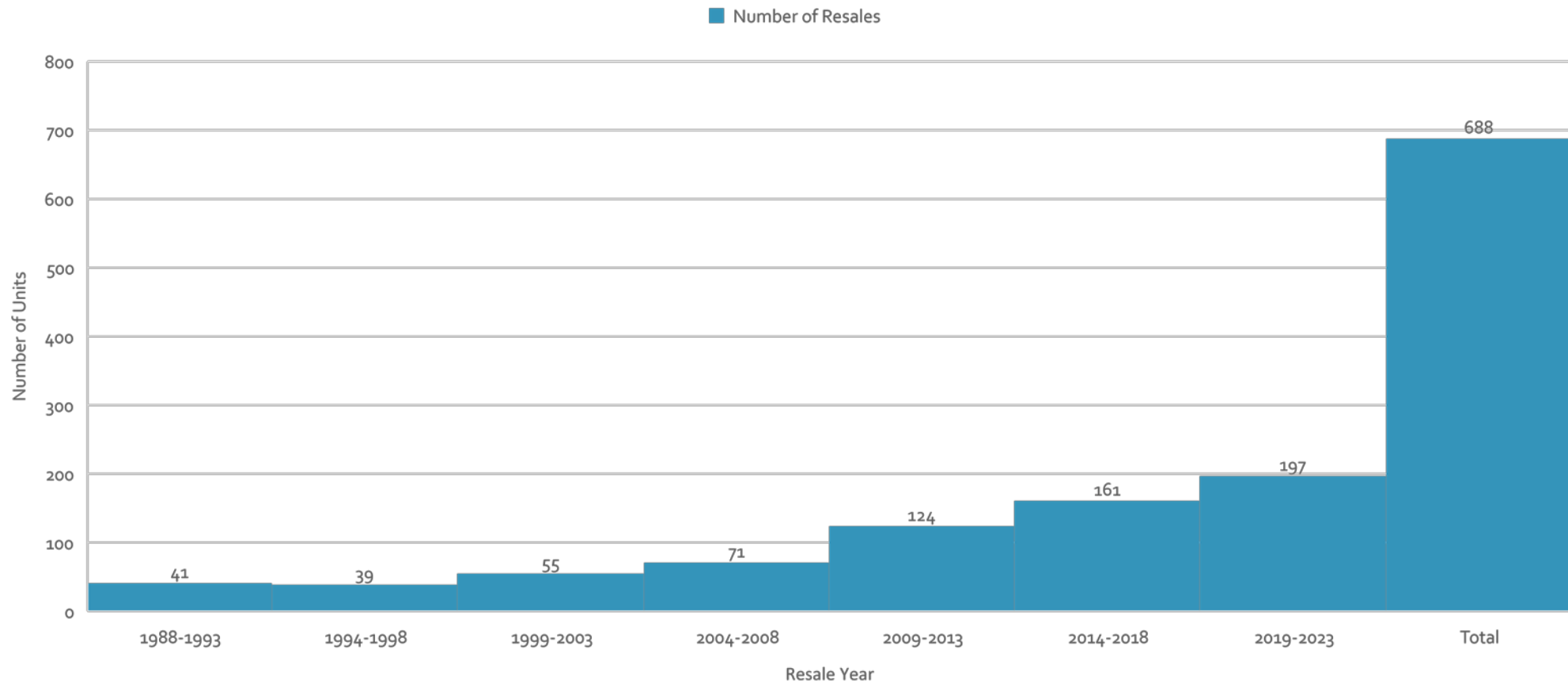
# BMR Resale Restrictions



- 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

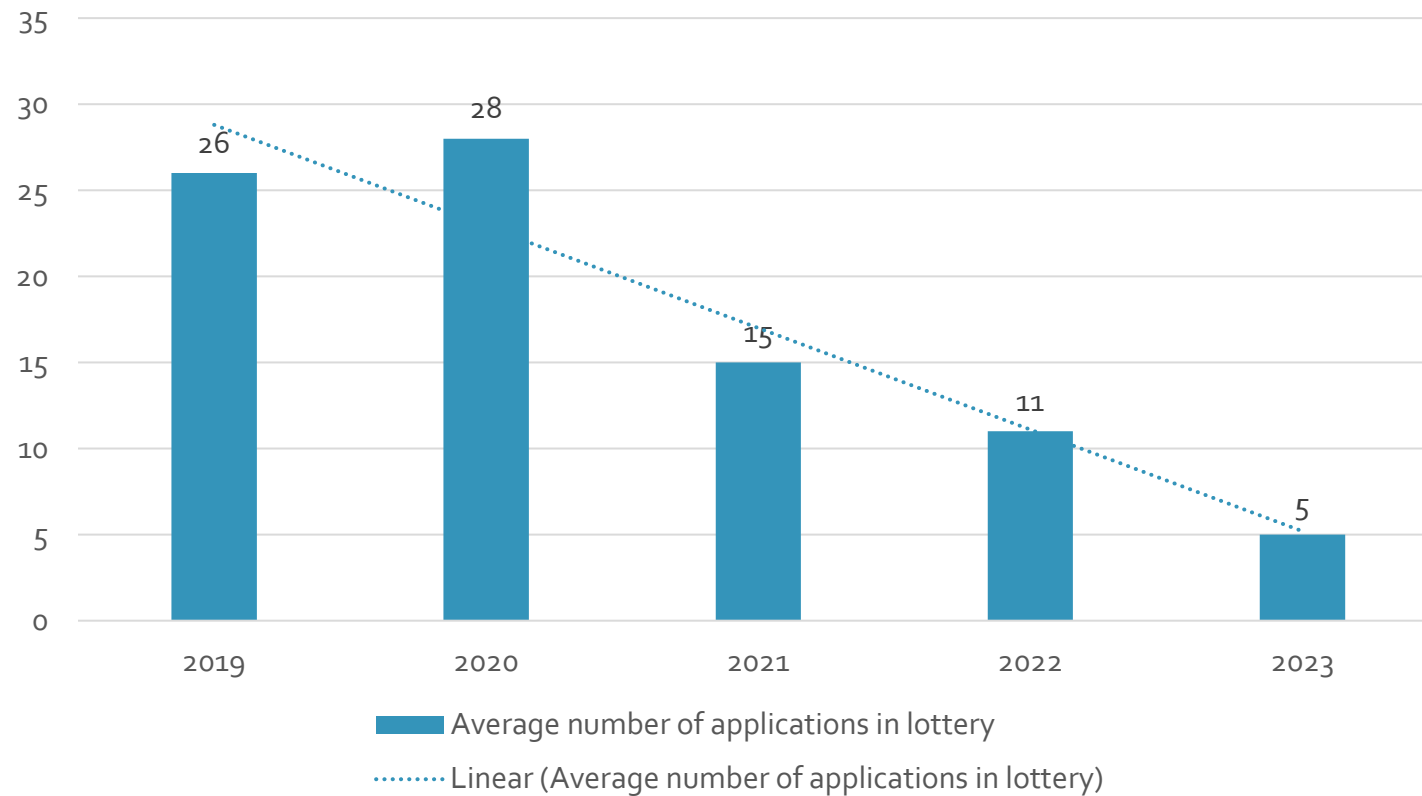


- 688 units resold over time: Average length of ownership is 9 years; average gain in equity is \$96,000 for recent sales
- Selling a BMR home generally takes 6-8 months from start to close of the sale, but it can take longer to find an eligible buyer for various reasons (i.e., sales price, location,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



# Decline in Number of Applications for Resale BMRs

Average Number of Applications Per Listing





# 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

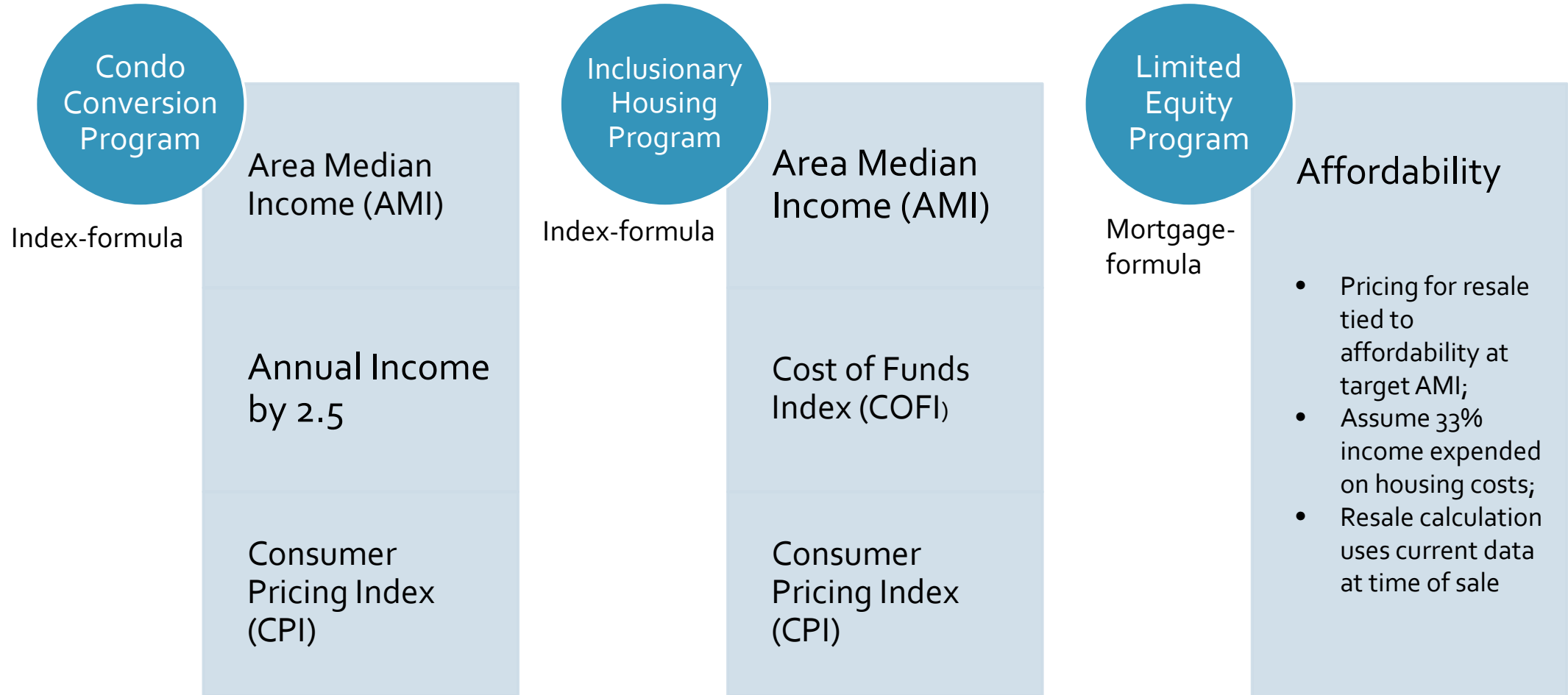
- Not a guaranteed sale price
- The maximum price at which the BMR owner can list the unit; selling price depends on interest of eligible buyers
- Calculated according to the agreement made at the time the seller purchased the unit
- Agreement terms determined by Planning Code, Inclusionary Manual, or 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



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)**

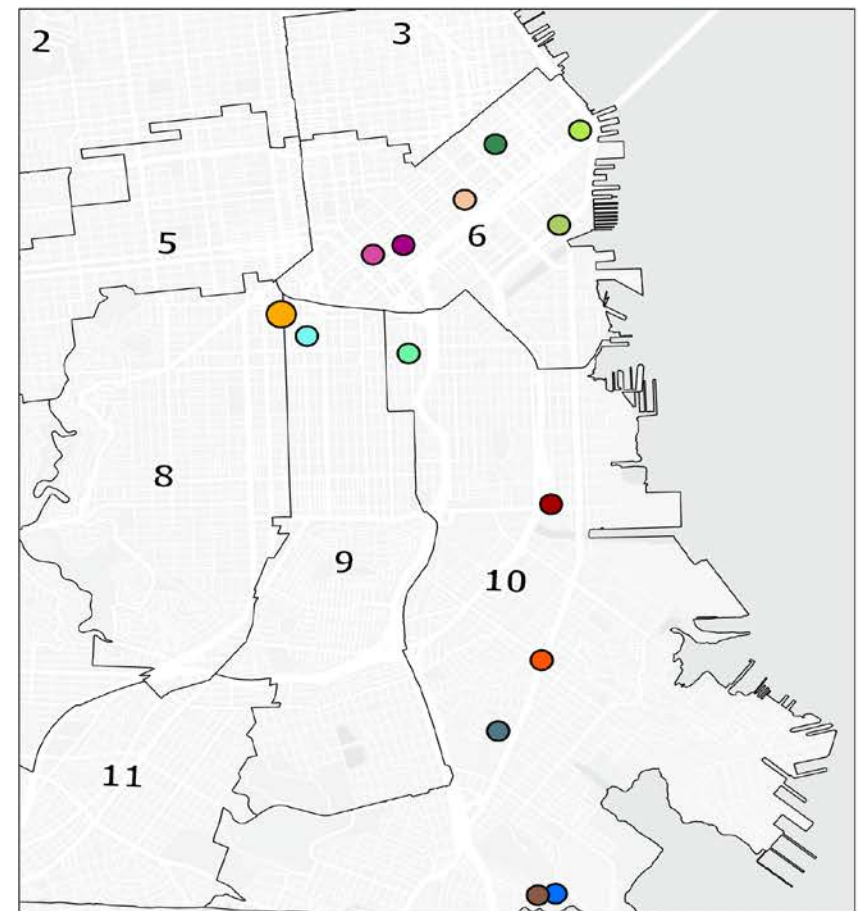
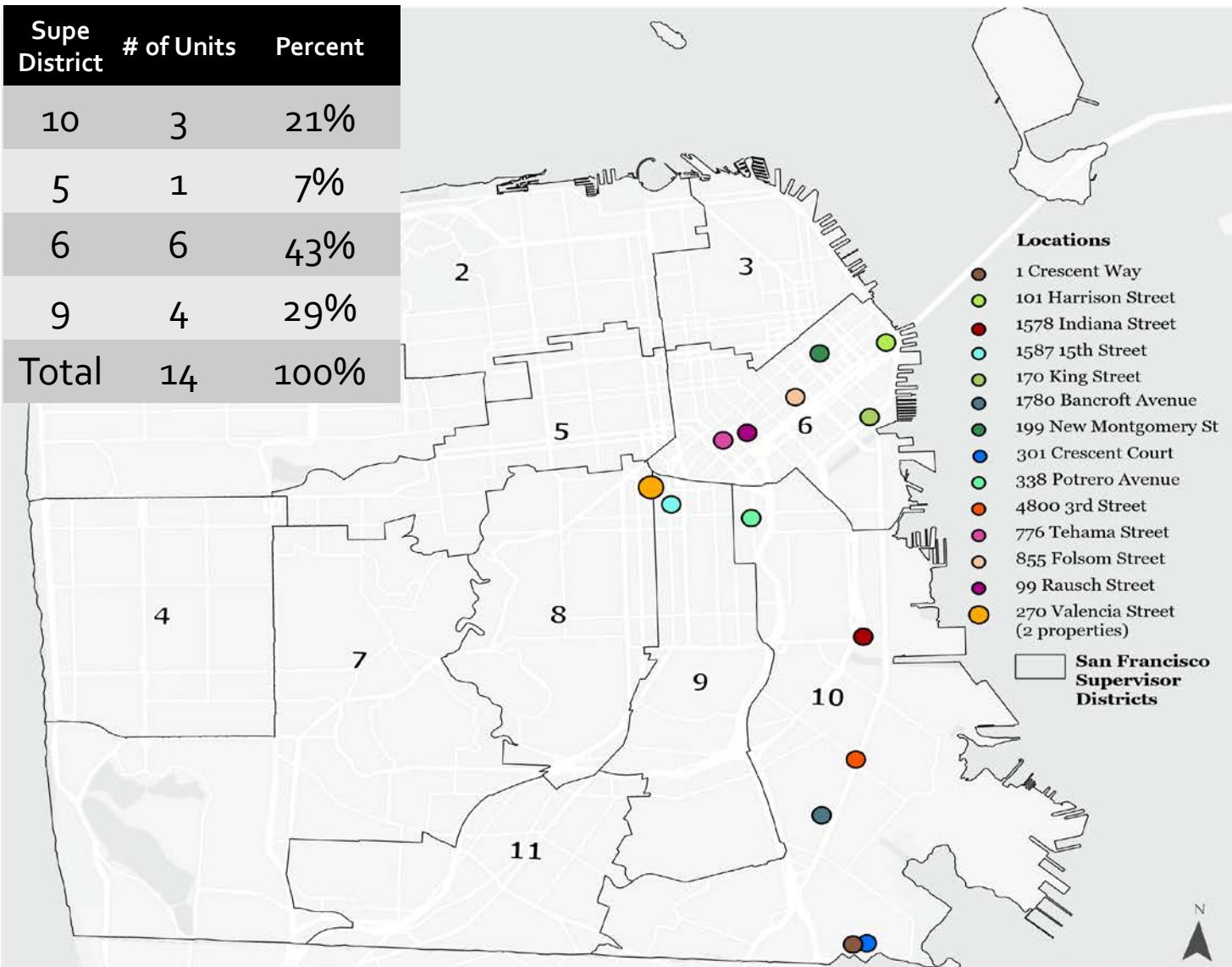
- 28 sold at maximum resale price
- 9 sold at an affordable price
- 7 sold between maximum resale price and affordable price
- 2 sold below an affordable price (1 sold at a loss)

**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

Supervisor District	# of Units	Percent
10	3	21%
5	1	7%
6	6	43%
9	4	29%
<b>Total</b>	<b>14</b>	<b>100%</b>



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



# 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





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

# Addressing These Challenges



# 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  
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# THANK YOU

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