Inclusionary Affordable Housing Program

Monitoring and Procedures Manual

CITY AND COUNTY OF SAN FRANCISCO

MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

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I. INTRODUCTION

A. What is the Inclusionary Housing Program?

There is a need for housing in San Francisco that is affordable to low, moderate, and middle-income Households, as those terms are defined in the San Francisco Planning Code ("Planning Code"). To meet this need, the City and County of San Francisco ("City") has adopted the Inclusionary Housing Program ("Program") as set forth in Sections 415 through 415.11 of the Planning Code.[1] The Program requires all developers of market-rate housing (Project Sponsor) to create housing (referred to as "Below Market Rate Units," or "BMR Units") that is affordable to qualifying Households by:

- Paying an Affordable Housing Fee (Section 415.5); or
- Building BMR Units "on-site" within the market-rate development (Section 415.6); or
- Building BMR Units "off-site" at another location in the City (Section 415.7); or
- In some neighborhoods, dedicating land to the City for affordable housing development (Section 415.5(a)(2)); or
- Paying a fee for the Small Sites program established by the Mayor's Office of Housing and Community Development ("MOHCD") (Section 415.7-1); or
- A combination of these options.

Several other sections of the Planning Code contain additional affordable housing requirements, including:

- The Market and Octavia Area Plan (Section 416)
- The Eastern Neighborhoods Area Plan (Section 417)
- The Eastern Neighborhoods UMU districts (Section 419)
- The Mission NCT district (Section 419)
- The SOMA Youth and Family Special Use district) (Section 249.40A)
- The Rincon Hill Downtown Residential district (Section 827)

B. How is the Affordable Housing Fee calculated?

Project Sponsors who pay the Affordable Housing Fee to satisfy the Program requirements are charged on a per-unit size basis under a fee schedule that is updated annually and posted on the San Francisco Planning Department website. The Affordable Housing Fee is based on the affordable housing percentage requirements that are in Section 415.5 and is calculated by multiplying the gross square footage of the development by the applicable percentage requirement. Please visit Inclusionary Affordable Housing Program | SF Planning for information on the methodology for calculating, indexing, and applying the Affordable Housing Fee.

[1] Unless otherwise noted, all Section references are to the San Francisco Planning Code, as amended from time to time.

C. What is the purpose of this Manual?

Section 415 requires MOHCD and the San Francisco Planning Department ("Planning Department") to periodically publish a Procedures Manual (this "Manual") containing procedures for monitoring and enforcing the policies and procedures for implementation of the Program. This Manual must be made available on the Planning Department's web site. This Manual is meant to provide compliance regulations to all Program users – including buyers and renters, Project Sponsors, and property managers, MOHCD-Approved Lenders, MOHCD-Approved First-Time Homebuyer Education Providers, and City staff.

Participants in some other programs are also required to comply with this Manual. These programs include, but are not limited to, (1) the Condo Conversion Below Market Rate Program[2], (2) programs that allow the development of "density bonus" units, such as those described in Sections 206 and 124(f) of the Planning Code, and (3) new affordable units that are required to replace affordable units that have been demolished.

Additionally, in some cases, the City may enter into Development Agreements with Project Sponsors that include affordable housing requirements or Project Sponsors of housing units that voluntarily agree to record affordability restrictions on certain units. These Development Agreements are often governed in whole or in part by this Manual, as amended from time to time.

D. How does this Manual relate to other documents?

This Manual implements the Planning Code and must be read together with several other important documents that impose unique restrictions on individual Projects or BMR Units. For example:

- Sections of the Planning Code
- Planning Department Conditions of Approval
- A Notice of Special Restrictions (NSR)
- Declaration of Restrictions
- Development Agreements
- Disposition & Development Agreements and Owner Participation Agreements
- Affordable Housing Plans
- State Density Bonus, HOME-SF and SB35 Regulatory Agreements
- CDLAC Bond Regulatory Agreements (when units are restricted by TCAC and/or Section 415)
- MOHCD Marketing, Housing Preferences and Lottery Procedures Manual
- Preservation of Affordable Housing Agreements

Please see Section VIII for more information about these documents and how this Manual applies.

[2] San Francisco Subdivision Code Sections 1341, 1344 and 1385, as amended from time to time.

E. What if the requirements in these documents conflict?

While every effort has been made to align the information in this Manual with the requirements of the Planning Code, if a conflict exists:

- The terms of the Planning Code prevail over the Manual.
- The terms of an individual Project's or unit's recorded BMR Use Restrictions prevail over any general requirements in this Manual or the Planning Code.

This Manual is subject to periodic updates, typically occurring every five years. However, to ensure the effective delivery of City-sponsored affordable housing between these updates, MOHCD may draft and publish a policy memorandum as necessary to clarify any policy, procedure, and/or existing practice under this Manual including, but not limited to adjustments to eligibility criteria to address high vacancy rates due to market conditions.

Program participants may request an interpretation of the applicable provisions of the Planning Code by contacting the City's Zoning Administrator.

Users of this Manual are encouraged to seek legal advice from their own counsel to aid in understanding the requirements of their specific Program. Users may call MOHCD at (415) 701-5500 or visit MOHCD's website, for answers to general questions regarding this Manual.

F. What are the consequences of not following the policies and procedures in this Manual?

The Planning Code includes fees and penalties for failure to comply with the requirements of Section 415, any Project Use Restrictions, or this Manual. The City may exercise any available right or remedy under all applicable laws to enforce Program rules and all the City's rights and remedies are cumulative. Section 174 provides that every condition, stipulation, special restriction, and other limitation under the Planning Code must be complied with in the development and use of land and structures. Failure to comply with any Planning Code provision, including failure to comply with any condition of Project approval, constitutes a violation of the Planning Code and is subject to an enforcement process under Code Section 176. Administrative penalties can be assessed up to $1,000 a day for each violation that continues to be unabated by a responsible party.

G. Is there a limitation to the information I have to provide to MOHCD?

MOHCD reserves the right to request additional documentation from Project Sponsors, applicants, tenants, owners, etc. to confirm the Project, applicant, and/or Household eligibility and compliance with Section 415, Use Restrictions, and this Manual.

H. Will my information be shared with outside agencies?

Program users – including buyers and renters, Project Sponsors and property managers – should be aware that under certain circumstances information provided in connection with the Program may be considered public record and subject to disclosure in accordance with the California Public Records Act

and the San Francisco Sunshine Ordinance[3]. However, MOHCD does not give, share, sell or transfer any personal identifying information (PII) to any third party that is not affiliated with an application for housing without the prior written consent of an individual. For more information, please visit MOHCD's Privacy Policy.

I. Where can I find the definitions of some of the terms used in this Manual?

Capitalized terms used in this Manual and not otherwise defined are defined in Section X of this Manual.

J. Where can I find the MOHCD Marketing, Housing Preferences and Lottery Procedures Manual?

See the MOHCD Marketing, Housing Preferences and Lottery Procedures Manual for detailed procedures regarding application tracking, Lottery preference qualifications, application review guidelines, appeals and unit selection.

K. Commitment to Racial Equity

In partnership with City and community leaders, MOHCD seeks to advance opportunities and improve programmatic outcomes for Black, Brown, Indigenous, People of Color, and low-income residents. As such, we assess implementation of this Manual to ensure consistency with the City's racial equity goals. We will provide capacity building, clear information to partnering organizations, and create channels to give and receive feedback to ensure that all parties are aligned in the expectation to create an inclusive and equitable city where all residents have the opportunity to thrive.

L. Reasonable Accommodations

The housing or service provider (including, but not limited to, Project Sponsors, leasing agents, sales agents, and/or property managers) shall consider and promptly respond to reasonable accommodation requests from applicants or residents in accordance with all applicable laws. A request for reasonable accommodation can be submitted at any time during the application process or during the residence, which can be made verbally, in writing, or on a form provided by the housing or service provider. Reasonable accommodations may vary depending on the specific circumstances and needs of the individual with a disability. It is important to note that the requested accommodation must be reasonable and not impose an undue financial and administrative burden, nor require a fundamental change in the nature of the Program or this Manual.

M. Personal Identifying Information (PII)

All responsible parties undertaking the delivery of affordable housing under this Manual must adopt measures and best practices to safeguard confidential personal identifying information. MOHCD partners include but are not limited to affordable housing Project Sponsors, their marketing, sales and leasing staff, representatives, contractors, and vendors as well as lenders, housing counselors, agents, and brokers. Confidential Personal Identifying Information or "PII" is defined as any non-public information belonging to an applicant, resident, or participant that may put them at risk of damaging their financial standing, privacy, or reputation.

[3] San Francisco Administrative Code, Chapter 67.

MOHCD only reports out Personal Identifying Information (PII) in aggregate form and PII is never included in reports, public documents or public websites, and can only be seen by authorized persons. MOHCD collects data on race, ethnicity, sexual orientation and gender identity, in order to ensure the programs and services we fund are addressing the needs of the vulnerable communities we serve, and to report anonymous information to key funders like HUD.

MOHCD protects PII from loss, theft, misuse and unauthorized access and disclosure. PII includes your name, address, birthdate, race and ethnicity, gender, sexual orientation/identify, and household size and income. MOHCD staff follow MOHCD's PII/PHI Guidelines, which are available upon request.

II. DETERMINING PROGRAM PARTICIPANT HOUSEHOLD SIZE AND ELIGIBILITY

A. Definition of Household

Any group of people can apply for a BMR Unit, regardless of family relations, marital status or previous living arrangement. Individuals may jointly apply to rent or purchase a BMR Unit so long as:

- All applicants will live in the BMR Unit.
- All Household members appear on the Lottery and Program application.
- All Household members report their income and other qualifying information.

All Household members are counted toward "Household size" and the number is used to determine the size of the BMR Unit for which an applicant's Household is eligible.

Exceptions or special circumstances to the rules above include:

1. Long-term live-in assistants, as verified by MOHCD, must appear on the Lottery and Program application and may be counted toward Household size to determine the number of bedrooms for which applicants are eligible, but their incomes are not counted for purposes of determining income eligibility, and they are not added to title on a BMR Ownership Unit or added to the lease on a BMR Rental Unit. Additionally, long-term live-in assistants do not have the right to continue living in a BMR Rental Unit after the BMR Renter/leaseholder has vacated the Unit. MOHCD may require documentation to verify the need for a long-term live-in assistant at the time of recertification.
2. Foster children, as verified through legal documentation, must appear on the Lottery and Program application and may be counted toward Household size to determine the number of bedrooms for which applicants are eligible, and income received to care for foster children is counted toward the total Household income.
3. A fiancé, Spouse or Domestic Partner of any Household member is considered a Household member; and any other person who has any combined finances with the applicant or a member of the applicant's Household is considered a Household member.
4. A Non-Title Occupant (approved by MOHCD) will not count toward the Household size and the bedroom count of the BMR Unit, but the Non-Title Occupant's income will be included in Household Income when determining the Household Income eligibility. See Appendix (A)(1) for more information.
5. A Temporarily Absent Household Member must be listed on the Lottery and Program application. Such Household members will be counted toward the bedroom count of the BMR Unit only under the following circumstances: (a) Documentation is provided to demonstrate when the Temporarily Absent Household Member will occupy the unit within a specified period of time, but not exceeding two (2) years; or (b) A titleholder's or leaseholder's legal dependent who is under twenty-four (24) years old, attending post-secondary school, residing on campus due to schooling, but will reside in the BMR Unit during school breaks.

6. Children not claimed as dependents on an applicant's federal tax return may be considered part of the Household if there is a court ordered custody agreement allowing the child's time with the applicant to be thirty percent (30%) or more of a year.
7. Unborn children are not counted into Household size.
8. Any Household member who was divorced in the past three (3) years or legally separated, must provide a judgment of dissolution of marriage or an order of legal separation that has been finalized with the court. See Appendix (A)(2) for more information.

B. Minimum and Maximum Household Size

The size of a Household must be compatible with the size of the BMR Unit. Households must have at least one person per bedroom (e.g., no less than two people can live in a 2-bedroom unit). Maximum Household size requirements must also adhere to maximum occupancy requirements of the San Francisco Building Code. In addition:

- Regardless of size, BMR Units priced for middle-income Households at 110% of AMI for BMR Rental Units or 130% of AMI for BMR Ownership Units must consist of no fewer than two people in the Household (unless otherwise amended in the Planning Code).

- For BMR Rental Units, children under the age of six (6) will not be counted towards maximum Household size solely for the purposes of this Manual pursuant to Police Code Section Article 1.2 Discrimination In Housing Against Families With Minor Children, Section 103 Occupancy Standards.

C. Non-homeowner/First-Time Homebuyer Requirement

In the three years prior to the date of application, no member of an applicant Household may own any interest in any residential property regardless of:

- Whether or not that residential property produces a financial gain; or
- Where the residential property is located; or
- Whether the residential property was ever used as the Primary Residence.

The following exceptions may apply:

- Loan co-signers from previous real estate transactions, if the applicant was not on title and there was no financial gain to the applicant.
- Acting solely as a trustee with no beneficiary interest for a trust that includes a residential property, subject to MOHCD verification of income and assets from the trust.
- Being a named beneficiary of a trust that includes a residential property, but only if the trustor is living at the time.
- Ownership of shares in a not-for-profit limited equity co-op (rental income, if any, will be included when determining eligibility).

- An individual who was divorced or legally separated in the past 3 years and had no ownership in any residential property, other than the marital residence that was awarded to the Spouse through a legal marital settlement.
- An individual who has owned a property not permanently affixed to a permanent foundation in accordance with applicable regulations, which may include, but not limited to, a mobile home or recreational vehicle.
- BMR Owners who experience a change in family size, or other extenuating circumstances based on disability or domestic violence, and require a different BMR Unit, may be eligible for an exemption from the First-Time Homebuyer requirement on a case-by-case basis, as determined by MOHCD. To be eligible for this exemption, a BMR Owner must first sell their current BMR Unit to a new buyer through the MOHCD resale procedures described in this Manual and meet all other Program requirements to purchase a BMR Unit. A BMR Owner selling their current BMR Unit may enter into a sales contract for a different BMR Unit, provided there is a contingency clause in the contract specifying that the sale cannot be finalized until the sale of their current BMR Unit closes first. In such a case, the contingency offer will be subject to the approval of the seller of the new BMR Unit. However, due to potential uncertainty in timing and closing, a seller is not obligated to accept the contingency offer and may opt to consider the next eligible buyer.

D. Non-Student Household Requirement

One hundred percent (100%) Student Households are ineligible for BMR Rental or Ownership Units. A full-time student is defined as a person who is enrolled and attends for at least 12 credit hours per semester at an educational institution with regular facilities (including enrollment in on-line classes, other than a correspondence or night school), during the BMR application and eligibility review. Certain exceptions apply and student Households should note the exceptions carefully.

Households with full-time students may be BMR-eligible if one or more of the following applies:

- Two members of the Household are married or in a Domestic Partnership and either filing or are entitled to file a joint tax return.
- The Household consists of a single parent and his or her minor children, such parent is the Head of Household, and neither the parent nor children are a dependent of a third party.
- At least one member of the Household receives assistance under Title IV of the Social Security Act such as Aid to Families with Dependent Children (AFDC), Temporary Aid for Needy Families (TANF), CalWORKs, etc. (Social Security Administration (SSA) benefits or Supplemental Security Income (SSI) do not qualify).
- At least one member of the Household is enrolled in a job training program receiving assistance under the federal Workforce Innovation and Opportunity Act, or similar federal, state, or local laws.
- The Household consists of a member who recently exited the Foster Care system who is no older than 24 years old.
- The Household includes one or more United States Veterans.

- A single-person Household employed full-time (on average 40 hours of service per week) while enrolled full-time in school.

E. Immigration Status

MOHCD does not require proof of citizenship, legal residency, or immigration status as criteria for qualifying for a BMR Unit. Moreover, California Civil Code 1940.3(b) prohibits Project Sponsors from discriminating against applicants based on immigration status and from making inquiries into the immigration status of an applicant or requiring applicants to provide proof of legal residency.

However, all applicants for BMR Ownership Units must qualify for first mortgage financing from a MOHCD-Approved Lender, and many lenders are unable to approve applicants without proof of legal immigration status.

With respect to BMR Rental Units, Project Sponsors who require Social Security Numbers from applicants in order to run a credit and/or criminal background check are advised to accept alternatives to traditional credit such as payment histories from utilities, rent, tuition, etc. Those requiring proof of identity must accept any government-issued identification, including the San Francisco City Identification Card.

III. DETERMINING INCOME AND ASSETS

Each year, the City sets the income limits for BMR Units based on San Francisco's Area Median Income ("AMI"). AMI is the median income; half of San Franciscan Household incomes earn above the median and half are below. MOHCD sets the income limits determined by the United States Department of Housing and Urban Development ("HUD") for the local area (San Francisco, Marin, and San Mateo Counties combined). Incomes are adjusted solely for Household size and not for high housing cost area. MOHCD lists incomes by Household size.

Calculating total Household income is key to determining whether the applicant Household is income and assets-eligible for the BMR Unit. Total Household income consists of all sources of income of ALL Household members aged 18 or older who will occupy the BMR Unit, regardless of dependency status.

It is important to note that this Manual specifies the types and amounts of income to be included in the calculation of the Household income. Although the incomes covered in this Manual have some similarities with rules used by the U.S. Internal Revenue Service (IRS), the IRS rules are different from the BMR program rules.

Eligibility criteria in this Manual may be adjusted through a policy memorandum in response to high vacancy rates and market conditions.

A. Income Sources

1. Income Inclusions

Income includes, but is not limited to, the following sources:

- Gross compensation for services, including all wages and salaries, overtime pay, commissions, fees, tips, bonuses, and similar items;
- The full, gross amount of periodic payments received from social security, annuities, insurance policies, IRA distributions, retirement funds, pensions, disability or death benefits, CalWORKs, TANF, unemployment and other similar types of periodic receipts including a lump sum payment for the delayed start of a periodic payment; include amounts received by adults on behalf of minors, or by minors intended for their own support;
- Payments received from the care of foster children or adults, or adoption assistance;
- Payments in lieu of earnings, such as unemployment and disability compensation, and worker's compensation;
- Welfare/public assistance income (excluding food stamps);
- Alimony/maintenance and child support payments;
- All regular pay, special pay, and allowances of a member of the Armed Forces;
- Income from salaries, and other amounts derived from operation of a business or profession;
- Income from the use, lease or sale of assets;
- Income from an interest in an estate or trust;
- Interest; dividends; Capital Gains; Rents and Royalties;
- Lottery/gambling winnings paid in periodic payments;

- Allowances paid by a non-Household member for housing, auto, food, etc.;
- Recurring contributions or gifts regularly received from entities or persons not residing in the dwelling. Rental applicants must complete and submit the Gift/Financial Support Affidavit with supporting documentation; and
- Income of any Non-Title Occupant as detailed in Section II (A)(4) of this Manual.

2. Income Excluded

The following sources of income shall be excluded from the total Household income, but may be included when calculating total assets (see Section III (D) (*Asset Test (Income Calculated from Assets)*) of this Manual for additional guidance:

- Income from the employment of any Household members under the age of 18 unless such income producing Household member is a borrower on the loan;
- Non-recurring lump sum payments or additions to family assets (e.g., inheritances, capital gains, lottery winnings paid in one payment, cash from the sale of assets, insurance settlements, and/or death benefit payment);
- Reimbursement received for specific expenses (such as medical, business, or tuition) with proper documentation;
- Employer-paid health insurance costs included within the Gross Income;
- Income of a live-in assistant; and
- Amounts of educational scholarships paid directly to a student or an educational institution, and the amount paid by the government to a Veteran for use in meeting the cost of tuition, fees, books, and equipment.

3. General Income Information and Regulations

a) Wages and Salary

MOHCD will use the most current paystubs for applicants to determine income for the current year. The paystub must be dated no earlier than thirty (30) calendar days prior to the Program application date and it must include all year-to-date ("YTD") earnings. Additional documentation, such as verification of employment on a form approved by MOHCD from the applicant's employer, may be required.

b) Overtime, Tips, Bonuses and Commission

When calculating income based on paystubs, overtime pay, tips, bonuses and commission will be annualized unless the applicant can provide documentation from the employer verifying that such income was a one-time occurrence. In such a case, the amount will be removed from the annualization of the income and added as a one-time addition to the total annual income that is determined.

c) Seasonal Workers

Income for Household members employed as seasonal workers who provide a verification of employment from their employer(s) verifying that the work does not occur year-round, will not

be annualized. Instead, MOHCD will determine annual seasonal income by adjusting it for off season time. Any unemployment compensation Household members have received or may receive during the off season will be included.

d) Child Support

MOHCD will count the amount awarded by a court to an applicant for child support (including alimony or separation maintenance) unless MOHCD verifies that: (a) the payments are not being made, and (b) the Household has made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments. Child support arrangements made outside of the court system will be included based on the actual amount being received. Income from child support may be excluded with evidence that the child support is scheduled to be terminated within twelve (12) months of the date of application.

e) Government Income

For applicants receiving income from a governmental entity of any type, the income is derived by annualizing a regular monthly statement or by referring to an award letter. Government income includes, but is not limited to, government paid retirement, annuity, or pension income.

f) Self-employed or Income from Business

All self-employed applicants must submit a Self-Employed Declaration provided by MOHCD in addition to the income documentation required for all applicants. The Self-Employed Declaration must be submitted along with a Profit and Loss ("P&L") Statement from any period of time not covered by the most recently filed federal income tax returns. The P&L Statement must be formatted and contain the information set forth in Internal Revenue Service ("IRS") form 1040, Schedule C, and must be dated within sixty (60) calendar days of the Program application date. Negative business losses are not counted and will not be deducted from income. MOHCD can provide a template P&L Statement as needed.

If a self-employed applicant started a business after the last tax filing year, and therefore does not have tax return(s) to document business income, or if the income shown on the P&L Statement is inconsistent with the income claimed on the applicant's tax return(s), MOHCD, in its sole discretion, may require copies of all invoices and payments made to or provided by the applicant to confirm the information provided on the applicant's P&L Statement. If deemed necessary, MOHCD may request a P&L Statement audited by an independent Certified Public Accountant (CPA) who provides an opinion on whether the P&L Statement is presented fairly, in all material respects, in accordance with generally accepted accounting principles in the United States of America. In addition, applicants are strictly prohibited from modifying documents for qualification purposes. Therefore, amended P&L Statements will not be accepted for reconsideration after the applicant's disqualification unless they are fully documented and may necessitate certification by a CPA.

Regardless of ownership percentage in a business, a self-employed applicant receiving income other than from a sole proprietorship (such as partnerships, corporation, or limited liability

company) is required to provide copies of the three (3) most recent years of business federal income tax returns with all applicable schedules. Positive business cash flow that is consistent and recurring (as reflected on applicant's business federal income tax returns) will be added to applicant's Household Income. Items that can be added back to the business cash flow generally include depreciation, depletion, amortization, casualty loss, and other losses that are not consistent and recurring.

All income from self-employment at any point over the 12-month period prior to application will be considered, even if an applicant has subsequently sold or closed a business, unless exempted by MOHCD at its sole discretion under Section III (A)(3)(n) (*Wage Reductions*) below.

g) Income from Capital Gains, Dividends and Interests

MOHCD will apply the income calculation standards to the income from capital gains, dividends and interests and add it to the Household's total annual income. Negative losses are not counted and will not be deducted from income. See Section III (A)(3)(o) (*Discontinuance of Non-Employment Income*) below for additional information.

h) Other Income

Any source of regular income, whether in cash or recurring deposits to a bank account over the 12-month period prior to application, will be treated as income, and may be annualized.

In the case of an applicant who is paid in cash for employment, MOHCD will consider the applicant to be self-employed. See Section III (A)(3)(f) (*Self-employed or Income from Business*) above for additional guidelines.

i) Unemployed Applicants

Unemployed applicants who are receiving no income at all will submit an Unemployed Declaration as provided by MOHCD in place of income statements. Applicants receiving unemployment benefits do not need to complete the Unemployed Declaration as unemployment benefits are considered income. In all cases, applicants shall complete a State of California Employment Development Department Authorization for Release of Records or the equivalent form from another state as provided by MOHCD to verify wages and/or unemployment benefits.

j) Income from Commercial Property or Land Owned

The annual income or net profits from any commercial property or land owned by any applicant shall be counted toward the annual Household income.

k) Public Assistance Income

When qualifying for a BMR Unit, public assistance income will be counted toward the Household's total annual income. MOHCD will require documentation to show the Household's receipt of public assistance income with letters or exhibits from the paying agency that state the amount, frequency and duration of the benefit payments. Public assistance income includes, but is not limited to, Section 8 vouchers and similar local, state, or federal assistance programs. For

the subsidy payment under the Section 8 Housing Choice Voucher homeownership option, lenders may treat this subsidy as an offset to the monthly mortgage payment. If permitted by the applicant's first mortgage lender, MOHCD will treat it the same way.

l) Verification of Employment

At MOHCD's discretion, an official verification of employment on a form approved by MOHCD that is signed by both the applicant and the applicant's employer may be used as documentation of an applicant's income.

m) Employment Offers or Contracts

If the applicant is scheduled to begin employment, MOHCD may use the applicant's offer letter or contract as documentation for income qualification. However, the applicant must begin employment no later than thirty (30) calendar days after the date MOHCD approves the applicant's Program eligibility. If the start date specified on the applicant's offer or contract occurs outside of the 30-day window, the application may be disqualified for insufficient income documentation.

n) Wage Reductions

Applicants whose income from employment has declined over the 12-month period prior to application must provide documentation that verifies that the applicant did not quit a job or choose to reduce hours in order to qualify.

The following are exempt from the voluntary quit provisions:

- Reducing hours in one job while working more hours in another job;
- Quitting a job and subsequently beginning a new job with similar or better rate of pay; or
- Seasonal employment.

o) Discontinuance of Non-Employment Income

Applicants whose income from non-employment sources (such as trust income, annuity income, capital gains, dividends and interests, etc.) has declined or discontinued over the 12-month period prior to application must provide sufficient documentation that verifies the discontinuance of the income and demonstrates that the income is unlikely to re-occur for the foreseeable future.

p) Non-Taxable Income Adjustments

MOHCD may give special consideration to regular sources of income that may be nontaxable, such as child support payments, Social Security benefits, workers' compensation benefits, certain types of public assistance payments.

MOHCD must verify that the particular source of income is nontaxable. Documentation that can be used for this verification includes tax returns, award letters, policy agreements, account statements, or any other documents that address the nontaxable status of the income.

If MOHCD verifies that the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, MOHCD may add an amount equivalent to twenty-five percent (25%) of the nontaxable income to the applicant's income for qualifying purpose.

q) Student Income

If a full-time student aged between eighteen (18) years and twenty-four (24) years is a dependent, only $480 of the full-time student's income will be counted toward total Household annual income if all of the following criteria are met:

- Student cannot be Head of Household, Co-head, or Spouse of Household;
- The student's full-time status must be 3rd party verified by their school/college; and
- Applicant claims the student as a dependent, and/or the student's most recent tax return shows that they are a dependent.

r) Back Pay or Retroactive Pay

Back pay or retroactive pay, used interchangeably for purposes of this Manual, means the difference between the amount of pay the applicant was actually paid and the total amount they should have been paid. Back pay or retroactive pay received in a tax year(s) for actual or deemed employment or benefits that should have been credited or awarded in an earlier tax year(s) may be allocated to the appropriate periods with sufficient documentation that verifies the periods the income should have been paid. For example, if an applicant receives a Social Security Disability Insurance (SSDI) back pay in 2023 for the benefits earned in 2022, the back-pay amount may be removed from the applicant's Household Income for 2023 and instead added to the applicant's Household Income for 2022 for qualifying purposes.

B. Calculating Baseline Household Income

The following are the two methods used to calculate baseline Household income for applicants:

- Method #1: Current total annual income from all sources projected 12 months forward; or
- Method #2: Total Gross Annual Income from all sources earned in the immediate past tax year

For BMR Ownership Units, baseline Household income is generally determined using one or both of the above methods, and the greater of the two methods will be used. For BMR Rental Units, MOHCD will only consider current income and will use Method #1.

If documents provided by an applicant demonstrate that there has been a decrease in income by more than twenty percent (20%) from the last year (for example, 2023) to the year before last year (for example, 2022), MOHCD may require additional documentation to analyze the income change and may average the income reflected on the immediate past 2 years (for example, 2022 and 2023) of tax returns. When determining applicant's eligibility between January 1 and April 15 of any given year, if tax returns have not been filed, applicants shall submit an Income Tax Declaration, a form provided by MOHCD, and the applicant's Household income from the previous year may be considered, in addition to the methods described above.

If a Household has recently retired, become disabled, or transitioned to new employment where the income is unlikely to match the income received in the past tax year, MOHCD may seek documentation of these circumstances and use the current income to determine the Household's current total annual income.

The total Household income will be determined by the baseline Household income (described in this section) and the income calculated from assets described in Sections III (C) (*Determining Assets*) and (D) (*Asset Test* (*Income Calculated from Assets*)) below. See Section III (E) (*Total Qualification Income*) of this Manual for more details.

1. Method #1: Calculating Current Total Annual Income

This section describes the procedures and requirements for determining a Household's current total gross annual income based on different sources of income.

a) Income from Paystubs

To calculate income from paystubs, MOHCD will use one of the following two methods as appropriate and use the greater of the two to determine the Household's current annual income.

Year-to-Date Method

From the most current paystub, divide the year-to-date Gross Income by the current number of pay periods to get the average Gross Income per pay period. Then multiply the average pay period Gross Income by the total number of pay periods in one year.

In cases where employer-paid health insurance costs are included within the Gross Income on a paystub, the employer-paid health insurance costs may be excluded from total income.

Example: Calculating Income with Paystubs Using Year-To-Date Method:

YTD Gross Income as stated on the most recent paystub = $20,000

Current number of pay periods on most recent paystub = Pay period #10 (aka the 10th paycheck of the year)

Average Gross Income per pay period = $2,000 ($20,000 divided by 10)

Total number of pay periods in one year = 24

Annualized Gross Income = $48,000 ($2,000 x 24)

Straight Pay Method:

From the most current paystub, calculate the income based upon the rate of pay and frequency of pay indicated on paystubs as shown on the table below.

Frequency of Pay	Determining Annual Income

Annually – paid one time per year	Annual Gross Income
Monthly – paid one time per month	Monthly Gross Income x 12
Semi-Monthly – paid two times per month (receives 24 pay periods a year)	Semi-Monthly Gross Income x 24
Biweekly – paid every two weeks (receives 26 pay periods a year)	Biweekly Gross Income x 26
Weekly – paid every week	Weekly Gross Income x 52
Hourly – paid based on an hourly wage (the number of hours paid per week can vary)	Hourly Gross Income x average # of hours worked per week x 52

Example: Calculating Income with Paystubs Using Straight Pay Method:

Hourly rate of pay as stated on the most recent paystub = $22

Total number of hours per pay period = 87.5

Total number of pay periods in one year = 24

Annual Gross Income = $46,200 ($22 x 87.5 x 24)

In the above examples, the income calculated from year-to-date method is greater than the straight pay method, and therefore will be used to determine the applicant Household's income eligibility.

b) Income from a Sole Proprietorship (for Self-employed)

MOHCD will use a P&L Statement for a self-employed applicant to determine an applicant's business income for the current year.

MOHCD will use the following steps to calculate an applicant's Income from a P&L Statement:

Step 1: Use the YTD net profit shown on the P&L Statement, adding back any of the allowable adjustments (under this Manual) used in analyzing the tax returns for the business including, but not limited to, non-recurring loss and expenses, depreciation, depletion, business use of a home, amortization, and casualty loss (the result of step 1 is the YTD adjusted Gross Income).

Step 2: Divide the adjusted Income by the number of months on the P&L statement to get the average monthly income. Multiply this number by 12 to annualize.

Example: Calculating Income with P&L Statement:

YTD net profit as stated on P&L statement = $20,000

Allowable adjustments = $10,000

YTD adjusted Gross Income = $30,000 ($20,000 + $10,000)

Number of months = 10

Average monthly income = $3,000 ($30,000 divided by 10)

Annualized income = $36,000 ($3,000 x 12)

If the P&L Statement shows a decrease in income by more than twenty percent (20%) from the immediate past tax year, MOHCD may require additional documentation, such as invoices, payments, and/or year-to-date business account statements, to analyze the Applicant's income. MOHCD may use the immediate past tax year's income to project current year income.

c) Income from Non-Employment

Non-employment income, such as trust income, pension and retirement income, unemployment, dividends/interest, etc., is calculated from the most current monthly or quarterly official statement of such income. If no official statement or proof of current income documentation is available for the current year, MOHCD will use the immediate past year's income to project current year income. Generally, the income documentation for non-employment income should include annual statements or IRS 1099 forms for the prior year. If the immediate past year's income is not available, MOHCD will then consider the current deposit amount in the most recent bank statements provided.

Example: Calculating Non-Employment Income with a Monthly Statement:

Monthly income as stated on the most recent statement =$500

Total number of pay periods in one year = 12

Annual income = $6,000 ($500 x 12)

d) Income from All Sources

Once all sources of income from each adult Household member are verified and calculated, MOHCD will calculate the current total Household income.

Example: Adding all income to arrive at the current total income:

As shown in the above examples, a Household of 4 applying for a BMR Ownership Unit receives a salary income of $48,000 (paystub on year-to-date method), self-employed income of $36,000 (P&L Statement), and non-employment income of $6,000 (official statement).

Method #1 Result: The Household's current total income = $90,000 ($48,000 + $36,000 + $6,000).

2. Method #2: Calculating Last Year's Income

This section describes an alternate procedure for determining a Household's total annual income earned in the last tax year.

Step 1: Use the total income from the immediate past year's federal income tax return (for example, for an applicant's 2022 tax return - line 9 of IRS Form 1040)

Step 2: If applicable, add back any losses and tax-exempt income from the tax return such as tax-deferred deductions, social security benefits, interest, etc., or income not reported on the tax return such as child support payments set forth on the immediate past year's federal income tax return.

Step 3: Add back any of the allowable adjustments for a business or self-employment, such as non-recurring income and expenses, depreciation, depletion, and amortization and casualty loss. If there is no self-employment income for a sole proprietorship reported on IRS form 1040 (for example, for the 2022 tax return – line 3 of Schedule 1), skip this step.

MOHCD may, in its sole discretion, remove the following items from the calculation of the applicant's last year of income: lump sum distributions, non-recurring capital gains, 401(k) rollovers, or similar items as a result of a one-time, lump sum addition to family assets.

Example: Calculating Last Year's Total Annual Income:

Total Income (line 22 of IRS Form 1040): $80,000

Capital loss (line 13 of IRS form 1040): -$5,000 (negative losses)

Depreciation on Schedule C: $3,000 (allowable adjustments)

Method #2 Result: The Household's last year's total income = $88,000 ($80,000 + $5,000 + $3,000)

3. Income Increase Tolerance and Re-Calculation Criteria

All applicants are responsible for reporting any change in their Household income from the time of application review until the close of escrow of a BMR Ownership Unit to MOHCD or the lease-up of a BMR Rental Unit to Project Sponsor. Non-disclosure of any material fact or misrepresentation of information will result in disqualification. If an applicant Household's income has been determined and verified by MOHCD, the verified income calculation is valid for a maximum of six (6) months. However, during the 6-month period, income will be recalculated if there is an increase in Household income of more than ten percent (10%). In addition, income will be recalculated if the BMR purchase transaction has not been closed or a lease has not been signed within the 6-month period.

C. Determining Assets

1. Liquid Assets

When determining a Household's total assets, all Household Liquid Assets must be considered and documented with statements dated no earlier than forty-five (45) calendar days from the application date. Household Liquid Assets include, but are not limited to, the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund

accounts, trust accounts (only the amount accessible with or without penalty), stocks or bonds, gifts, cash on hand, and amount liquidated or borrowed from a life insurance policy, Individual Retirement Account (IRA) or other types of retirement accounts. Additionally, other investments held by any member of an applicant's Household and custodial accounts owned by a guardian for minors will be included as Household Liquid Assets.

The following assets will be excluded from the calculation of Liquid Assets: the cash surrender value of a life insurance policy, the value of an IRA account, the value of retirement accounts (including but not limited to 401K and 403B accounts), and the value of a health savings account and the value of a 529 college savings plan. In addition, for any senior member of the Household aged sixty-two (62) or older, the funds in retirement accounts will be considered non-Liquid Assets until such funds are withdrawn or transferred into the accounts under Liquid Assets described in this section.

2. Gifts

If applicable, funds for use as down payment, closing costs or financial reserves to purchase a BMR Ownership Unit can be provided by a relative (defined as an individual who is related by blood, adoption, or legal guardianship and who is not part of the Household). In the case of the purchase of a BMR Ownership Unit, the entire buyer contribution requirement of one percent (1%) of the purchase price (see Section IV (B)(12) (*Financing*) for more details) may come from gifts.

3. Assets in Business Accounts

Assets in business accounts will be considered Liquid Assets if any one of the following apply to the applicant:

- Assets in business accounts are used as a source of funds for the down payment, closing costs, or financial reserves; or
- The applicant is one hundred percent (100%) owner of the business, such as a sole proprietor; or
- Assets in business accounts are co-mingled with personal accounts. MOHCD may require additional documentation regarding business accounts to determine an applicant's assets.

4. Assets in Retirement Accounts

a) Using Retirement Assets as Reserves

At escrow closing for the purchase of a BMR Ownership Unit, applicants must have funds for a reserve equal to at least two (2) months of housing expenses available. Funds from retirement accounts can be used to meet this reserve requirement. Retirement accounts do not have to be liquidated. The applicant must provide a complete copy of the most current quarterly, or three consecutive monthly, retirement account statement(s) identifying the applicant's vested amount and the terms of the retirement plan that permits the applicant to make withdrawals. Funds in a retirement account will not be considered as reserves when the retirement account only allows withdrawals in connection with the applicant's employment termination, retirement, or death.

If applicable, to account for income taxes and any early withdrawal penalties, MOHCD will count only sixty percent (60%) of retirement account funds towards reserves.

b) Borrowing from Retirement Accounts

When an applicant borrows against their retirement account, there may be a monthly repayment amount. MOHCD will include this monthly payment as part of the applicant's recurring monthly debt obligations when determining the applicant's total Debt-to-Income ratio.

c) Withdrawal from Retirement Accounts

Withdrawal of funds from unrestricted retirement accounts toward down payment and closing costs is generally allowed with proof of liquidation. If an applicant uses a portion of the retirement account toward the purchase of the BMR Unit, then that portion of the retirement account withdrawn or liquidated will be counted as Liquid Assets. The applicant should consider all options before using a retirement account and consult a tax advisor to fully understand the potential tax consequences of a withdrawal in addition to any applicable early withdrawal penalty.

5. Inherited Retirement Accounts

If an applicant has begun receiving distribution payments from any inherited retirement account, these payments will be counted as income (except for a one-time lump sum distribution). If an applicant has not yet begun receiving distribution payments or a distribution schedule is not already set up, then the full value of these assets will be counted as Liquid Assets. Retirement assets inherited from Spouses will be counted as an applicant's retirement funds and may be excluded from as described in Section III (C)(1) (*Liquid Assets*) above, if applicable.

6. Stock Options

Vested stock options will be counted as Liquid Assets; non-vested stock options will not be counted as Liquid Assets. To verify if the funds in the form of stock options are vested or non-vested, an applicant will be required to provide a copy of the most current account statement covering a three-month period or other equivalent documentation verifying vesting date, the number of options, and the option price.

7. Restricted Stocks and Restricted Stock Units

The treatment of restricted stocks and restricted stock units primarily depends on a) whether the shares are vested or non-vested; and b) whether the shares have been exercised or not.

- Non-vested restricted stocks/restricted stock units will not be counted as income or Liquid Assets.
- Vested restricted stocks/restricted stock units will be counted as income or Liquid Assets (See Appendix (B)(2) for more information).

8. Virtual Currency

Virtual currency, including cryptocurrencies, will be treated as Liquid Assets, similar to both stocks and foreign currency. If the virtual currency is not in U.S. Dollars, its value will be determined using an online converter calculator to establish its equivalent as Liquid Assets. When utilized for down payment and/or

closing costs, the virtual currency must be converted into U.S. Dollars and deposited into a checking, savings, money market, certificate of deposit, or other depository accounts that hold value.

9. Annuities

In the case of annuities, if an applicant has begun receiving annuity payments, then these payments are counted as income. If the applicant has the option of withdrawing all funds from an annuity, either with or without penalty, the annuity will be treated like any other Liquid Asset account. To account for income taxes and any early withdrawal penalties, sixty percent (60%) of the full value of the annuity will be counted as the cash value of the annuity and applied toward the Liquid Asset income calculation.

10. Lump Sum Receipts

Lump sum payments will be counted toward assets. Example of lump sum payments include inheritances, capital gains, lottery winnings paid in one payment, cash from the sale of assets, insurance settlements, death benefit payments, and any other amounts that are received as one-time lump sum payments.

11. Deposits or Withdrawals

The source of any deposit of $500 or more, or recurring non-payroll deposits regardless of transaction amount, into an account must be documented (see Appendix (B)(1) for more information).

Evidence that Liquid Assets have been transferred to another individual or into an unavailable asset account, or have been spent (except on unexpected emergencies, such as funeral expenses, travel costs related to illness, repair of a vehicle, medical needs, and housing needs) to avoid inclusion in the asset test calculation may result in denial of an applicant's application.

D. Asset Test (Income Calculated from Assets)

1. Standard Asset Test

An asset test is used to calculate an applicant's income from assets. Household income is adjusted based on the level of savings, investments, and other assets available.

BMR Rental Units

Up to $60,000 of Household Liquid Assets will not be counted toward Household income. Ten percent (10%) of the value of Household Liquid Assets that exceed $60,000 will be added to the total Household income.

***Example: Asset adjustments to Baseline Household Income*:**

Household of 4 earns $50,000 a year

Total Household assets = $70,000

First $60,000 of assets is excluded: $70,000 – $60,000 = $10,000 remaining

10% of remaining $10,000 is added to income: $10,000 x 10% = $1,000

Total amount added to income = $1,000

New total Household income: $50,000 + 1,000 = $51,000

BMR Ownership Units

The greater of the following amounts will be excluded from the asset test calculation: 1) funds used as a down payment (referred to as the initial cash payment made by the Household, representing a percentage of the home purchase price; therefore, exclusive of closing costs, prepaids, or third-party credits and contributions), or 2) up to $80,000. Ten percent (10%) of any remaining Liquid Assets will be added to the total Household income.

Example: Asset adjustment to Baseline Household Income with thirty percent (30%) down payment:

BMR purchase price =$500,000

Household contributes 30% towards the down payment = $150,000 ($500,000 x 30%)

Total Household assets = $200,000

First $150,000 of Liquid Assets is excluded: $200,000 – $150,000 = $50,000 remaining

10% of remaining $50,000 is added to income: $50,000 x 10% = $5,000

Total amount added to income= $5,000

2. Asset Exemption for Seniors

For any senior aged sixty-two (62) or older who is a single household or a Head of Household, the first $150,000 of total Liquid Assets will be disregarded prior to calculating income from assets. For married seniors (or in a Domestic Partnership) where (i) both are the only applicants for the BMR Unit, (ii) both are aged 62 or older, and (iii) at least one of them has been nonworking, MOHCD will disregard the first $250,000 of total Liquid Assets (rather than 2x the single rate) prior to calculating income from Liquid Assets. Balances held in retirement accounts will be considered as non-Liquid Assets and excluded from the asset test calculation until they are withdrawn or transferred into the accounts listed under Liquid Assets in Section III (C)(1) above.

E. Total Qualification Income

Once the baseline Household income (see Section III (B) above) and income calculated from Liquid Assets (see Section III (D) above) are verified and calculated, MOHCD will total them to arrive at the total qualification income.

Example: Adding baseline household income and asset income to yield total qualification income:

Using the same examples provided above, a Household of 4 applying for a BMR Ownership Unit shows a total annual Income of $90,000 [Method #1: Calculating Current Total Annual Income],

last year's income of $88,000 [Method #2: Calculating Last Year's Income], and imputed asset income of $5,000 [Asset Test (Income Calculated from Assets)].

Result: The Household's total qualification income = $95,000 ($90,000 + $5,000).

IV. BELOW MARKET RATE (BMR) OWNERSHIP PROGRAM

Buying, owning, and selling a BMR Ownership Unit differs in many ways from buying, owning, and selling a market-rate unit. It is important that the buyers and sellers of BMR Ownership Units understand the rules and procedures of the Program fully. Any violation of the restrictions, policies and procedures set forth in this Manual and in applicable sections of the Planning Code may result in the City declaring the BMR Owner to be in default of the Program and may lead to the immediate sale of the BMR Unit as well as monetary and other enforcement actions. This section explains the BMR Ownership Program rules for:

- Qualifying to Purchase a BMR Unit
- Applying for a BMR Ownership Unit
- Purchasing a BMR Unit
- Owning and Occupying a BMR Unit
- Reselling a BMR Unit

A. Qualifying to Purchase a BMR Unit

In addition to Household size and income requirements listed in Sections II and III of this Manual, the following are eligibility requirements for a BMR Ownership Unit.

1. Sales Price and Income Levels

The City enforces Pricing limitations on BMR Units, ensuring that they are affordable to income Qualified Households under this Manual. Each BMR Ownership Unit is designated a maximum income level, as outlined in a legal document named a Notice of Special Restrictions (NSR), and the maximum price will be calculated by MOHCD for such maximum income. The calculation of the maximum allowable sales price for each BMR Ownership Unit is governed by the parameters. Applicants can review the listing information in DAHLIA San Francisco Housing Portal for details on the specific price levels and income limits associated with each individual BMR Ownership Unit.

Due to changes to the Planning Code over time, many older BMR Ownership Units are available to Households at one income level, while other BMR Units are available to Households ranging in income. For projects governed by this Manual, the following table outlines the most common Pricing and qualifying AMI levels for BMR Units.

Pricing and Income Levels for BMR Ownership Units

Pricing Levels	Allowable Household Income Range
80% of AMI	up to 100% of AMI
105% of AMI	95% to 120% of AMI
130% of AMI	120% and 150% of AMI

Households earning up to 100% of AMI are eligible to apply for low-income BMR Ownership Units with an affordable purchase price set at 80% of AMI or less. Households earning from 95% to 120% of AMI are eligible to apply for moderate-income BMR Ownership Units with an affordable purchase price set at 105% of AMI or less. Households earning from 120% to 150% of AMI are eligible to apply for middle-income BMR Ownership Units with an affordable purchase price set at 130% of AMI or less.

Notwithstanding the above, the prices of BMR Ownership units must be set at least twenty percent (20%) below the market-rate prices of similar units in the same neighborhood. To determine the market-rate sales price, MOHCD will use the appraised fair market value of the BMR Ownership Unit as determined: (1) for the neighborhood within which the BMR Ownership Unit is located, with comparable sales that have similar characteristics including, but not limited to site, room count, gross living area, style, and condition, and (2) without regard to the sales prices and Use Restrictions imposed on the BMR Ownership Unit. If the appraised fair market value is not available, MOHCD will use generally available, third-party market data to determine market-rate sales prices. However, once the appraised fair market value becomes available, the sales price of the BMR Ownership Unit must be at least twenty percent (20%) below market based on the appraised fair market value.

Each year, MOHCD publishes a new Maximum Income Chart showing income limits for the most common income categories. Once BMR Units have been priced and marketed to the public, such units cannot be repriced for a higher Pricing regardless of whether a new Maximum Income Chart is published during the marketing period or while units are not under contract. To ensure BMR buyers continue to be eligible, MOHCD may use either the Maximum Income Chart published at the listing or the new Maximum Income Chart available at the time of MOHCD reviewing the applicant's income qualification.

2. Loan and Title Requirements

All Household members aged 18 and older must appear on the title for a BMR Ownership Unit and be co-borrowers on the mortgage for the Unit. The following exceptions apply:

- Legal dependents of titleholders as claimed on the two (2) most recent federal income tax returns.
- A Household member younger than age twenty-four (24) who is the child of a titleholder and will reside in the BMR Unit as their Primary Residence, regardless of being named as a dependent on the federal tax form.
- A Non-Title Occupant as described in Section II (A)(4) of this Manual.
- Recent immigrants with insufficient credit history (defined as a person who has been in the United States for two (2) years or less as supported by entrance documentation and lender documentation of the reason for loan denial (such as the applicant's credit report, a denial letter, and AUS findings). If approved by MOHCD in its sole discretion, a person may be exempted from the first mortgage loan (but may be required to be a titleholder, if permitted by lender and required by MOHCD).

A Spouse or Domestic Partner of any titleholder is not considered a dependent, regardless of being named as a dependent on any federal tax form. A Spouse or Domestic Partner of any titleholder must

appear on the title for the entire duration of ownership of the BMR Unit and be co-borrower for the first mortgage loan and all other purchase loans for the BMR Unit.

3. Mortgage Readiness

All applicants for BMR Units that will be on title must complete homebuyer education and counseling from a MOHCD-approved and HUD certified housing counseling agency (See Section IV (B)(1)(a) below) and must establish that they are likely to qualify for first mortgage financing by submitting a loan pre-approval letter from a MOHCD-Approved Lender.

Applicants who are selected by Lottery to purchase will have a limited time to obtain full loan approval from a MOHCD-Approved Lender.

4. Disqualification and Requests for Reconsideration

Applicants who are not able to demonstrate eligibility will be notified in writing of their disqualification. The disqualification letter will explain the reason(s) for the disqualification and provide information on the reconsideration process.

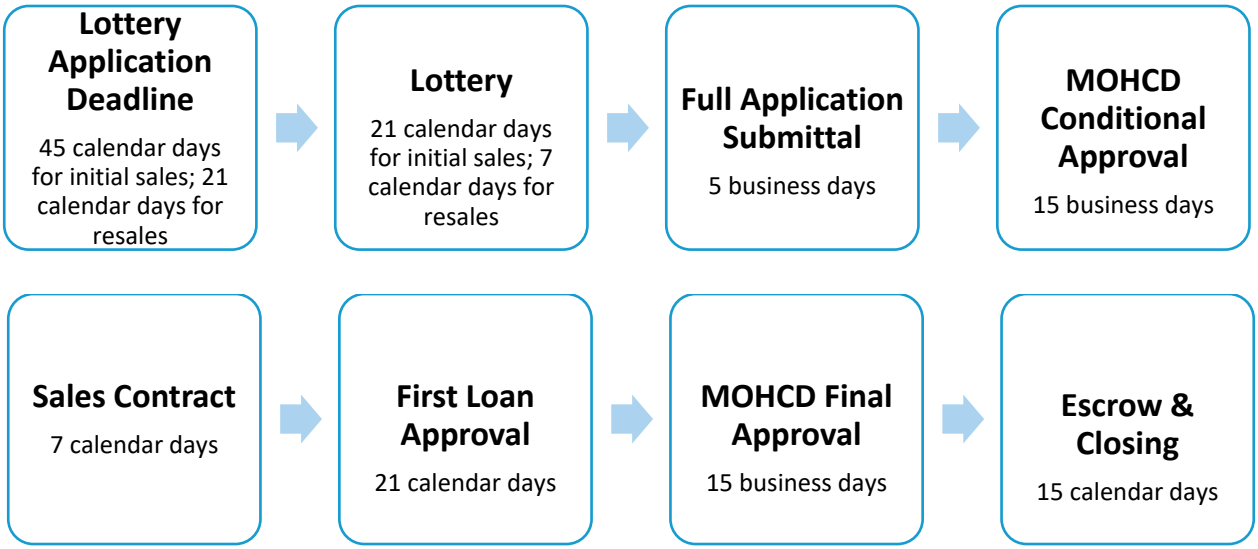
If a disqualified applicant believes the disqualification decision was reached in error and has additional information and documentation that could reverse the decision, the disqualified applicant may ask for MOHCD's reconsideration. The disqualified applicant's request for reconsideration shall include the following: (1) a written request that states the basis for the applicant's belief that MOHCD made an error in disqualifying the applicant; and (2) documentation that supports the applicant's belief that MOHCD would correct the error. A disqualified applicant shall submit a request for reconsideration within three (3) business days after the date of MOHCD's disqualification letter. MOHCD's disqualification letter will include the actual deadline for requesting reconsideration and a link for secure electronic submission of any sensitive documents.

During the review period, the Project Sponsor shall set aside an appropriately sized BMR Unit for the disqualified Household, which may not necessarily be the applicant's preferred unit. The set-aside BMR Unit will be available until all reconsideration processes have been completed.

MOHCD will work to respond to a request for reconsideration within five (5) business days from the date of receipt of the request. If MOHCD agrees that the disqualification was made in error, MOHCD will provide a written response to the applicant and the Project Sponsor or BMR Owner to rescind the disqualification. If MOHCD upholds the disqualification, the applicant's disqualification will be deemed final, and MOHCD will inform the Project Sponsor or BMR Owner to sell the reserved BMR Unit to another Qualified Applicant.

B. Applying for a BMR Ownership Unit

Below is an estimate timeline for the purchase of a BMR Ownership Unit. The entire process takes about 5-6 months from the day the Project Sponsor announces newly constructed BMR Units and about 4-5 months from the day a BMR Owner offers their home for sale. All times listed are approximate; the processing times can vary depending on many reasons including first mortgage loan approval, construction delays and additional information required to determine an applicant's eligibility.



1. Before Applying for a BMR Unit

a) First-time Homebuyer Education Requirement

Each Household member aged 18 and older who is an applicant and will appear on title of the BMR Ownership Unit must attend 10 hours of a combination of a program orientation, group workshops and one-on-one homebuyer education counseling sessions, available in multiple languages, through a HUD and MOHCD-Approved First-Time Homebuyer Education Provider and demonstrate that they are mortgage-ready before submitting a Lottery Application. A list of the education providers is available on MOHCD's website. When all required members of an applicant Household have completed the Homebuyer Education requirement, their education provider issues a Verification of Homebuyer Education form to be submitted with a Lottery Application for a BMR Unit. The form must be issued within 12 months from the date of the Lottery Application. The education provider may renew the form for an additional year if necessary. When an applicant has entered into a contract to purchase, both the first mortgage lender and MOHCD require a valid Certificate of Completion of Homebuyer Education from the MOHCD-Approved First-Time Homebuyer Education Provider. The Certificate must be valid at the time MOHCD issues a final approval. Refer to the Homebuyer Education Requirement and FAQ available on MOHCD's website for additional information.

b) Mortgage Pre-Approval

MOHCD maintains a list of MOHCD-Approved Lenders, and applicants are encouraged to review each MOHCD-Approved Lender to find the right one that meets their needs. Applicants must choose only one lender in connection with the purchase of the BMR Unit and submit a first mortgage loan pre-approval letter as part of their Lottery Application submittal. The pre-approval letter must:

- Be issued by a MOHCD-Approved Lender listed on MOHCD's website.

- Name all adults aged 18 and older in the applicant's Household unless qualified for the exceptions as described in Section IV (A)(2) (*Loan and Title Requirements*) of this Manual.
- Be dated within one hundred twenty (120) calendar days of the applicant's application.
- Contain a maximum first loan amount and any other subordinate loans (if applicable)
- Include an estimated monthly Homeowners Association (HOA) dues and maximum sales price that meets or exceeds the actual HOA Dues and sales price of the BMR Unit.

2. Lottery Application

New BMR Ownership Units have an application period lasting at least forty-five (45) calendar days, and resale BMR Ownership Units have an application period lasting at least twenty-one (21) calendar days. Applicants must submit a MOHCD Lottery Application by a specific deadline for each listing advertising BMR Ownership Units on DAHLIA San Francisco Housing Portal. Upon written request by an applicant, MOHCD will provide a paper application, which can be submitted by mail to MOHCD's Post Office Box as listed on the DAHLIA San Francisco Housing Portal.

3. Housing Lottery

The Project Sponsor and MOHCD will hold a public Lottery for each Project and/or BMR Ownership Unit. Every applicant that submits a complete Lottery Application for a BMR Unit will receive a Lottery ticket number. Applicants do not need to attend the Lottery.

While every applicant must meet the City's basic eligibility requirements, San Francisco law gives some Households a Lottery preference that increases the chance that they will be offered a BMR Unit. The specific preferences available may change from one Project to another. The property listing in DAHLIA San Francisco Housing Portal will indicate which preferences are applicable to each Project and/or BMR Ownership Unit. Applicants may need to submit proof of eligibility for any available preferences when applying for the housing Lottery.

The MOHCD Marketing, Housing Preferences and Lottery Procedures Manual, as revised from time to time, contains detailed procedures for Lottery preference qualifications, application review guidelines and appeals.

4. Submission of a Full BMR Application

After the Lottery, the Project Sponsor will contact applicants in Lottery rank order and invite them to submit a full application within five (5) business days after the Property Sponsor contacts the applicant. Typically, a Project Sponsor contacts several Households for every available Unit. It is important to note that being requested to submit a full application is not a guarantee that an applicant will be given the opportunity to purchase a BMR Unit, because higher-ranked applicants may be offered and accept all available BMR Units before a particular applicant's application is considered.

The Project Sponsor must notify applicants by phone, email, and text to request a complete application and documentation. If the applicant has not provided an email address or phone number in their Lottery Application, the Project Sponsor is required to send correspondence via first-class USPS, allowing an

additional three (3) business days for the applicant to submit the required application and documentation.

BMR applicants should be prepared to provide the full application by the date of the Lottery to ensure their ability to meet the short turnaround time. BMR applicants who want assistance from their housing counselor or another third party during the sales process can list an additional person on their application to receive notices from the Project Sponsor and assist in submitting the full application.

All members of the applicant's Household that are 18 years or older must supply the following documentation to the Project Sponsor within five (5) business days:

- Last 3 years Federal income tax returns with all schedules (a filing extension will not be accepted);
- Past 3 years W-2 and/or 1099 forms;
- 3 current and consecutive pay stubs, or if self-employed, a year-to-date P&L Statement;
- 3 current and consecutive bank or assets statements from all bank or Liquid Asset accounts;
- California Driver's License, State or City and County of San Francisco City ID or other Government issued photo ID;
- Current lease agreement with all pages with proof of 3 most recent rent payments (if rent-free, provide a signed letter from the landlord or owner describing housing arrangement);
- Completed gift letter and evidence of donor availability of funds (if applicable); and
- Any other documents listed on the application.

Incomplete applications or applications with known false, misleading or inaccurate information, will be disqualified from consideration. Applicants who have knowingly provided false, misleading, or inaccurate information or withheld information may be prohibited from participating in the Program as further explained in the full application. MOHCD may request additional documents to verify information provided in support of an applicant's Household income and Liquid Assets eligibility for the BMR Unit.

5. Application Changes after Submission

Changes to an application after submission are only allowed in the following limited circumstances:

- Removal of an applicant in the case of divorce or dissolution of marriage or Domestic Partnership;
- Addition of an applicant's Spouse or Domestic Partner, a newborn child, or a new Household member in the case of a legal adoption or new legal guardianship (including foster children);
- Update of income qualifications, such as a new job or a job that has ended; and/or
- Correction of technical errors, such as current phone number or other non-qualifying information.

Applicants must ensure the completeness and accuracy of their application before submission. MOHCD has sole discretion to approve any changes, and, except as mentioned in this Manual, will not permit any changes that affect the Household size, income or assets for qualifying purposes.

6. Inability to Find an Eligible Household

If no applications are received for a Lottery during the marketing period or if all applicants have been considered after a Lottery is conducted but one or more BMR Units remain vacant, MOHCD will take the following steps:

a. Review the Project Sponsor or BMR Owner's marketing performance to ensure all aspects of the required marketing plan have been carried out. If MOHCD determines that a Project Sponsor or BMR Owner has not adequately followed the marketing plan, the application period will be extended to the original marketing period timeline to allow for adequate marketing.
b. Allow the Project Sponsor or BMR Owner (as applicable) to accept applications through MOHCD on a first-come-first-served basis. Applications will be considered strictly in the order that they are received.
c. If the BMR Unit remains available six (6) months after its initial listing on a first-come-first-served basis, MOHCD will suspend the listing for one (1) year. If the Project Sponsor or BMR Owner (as applicable) desires to keep the listing active, the Project Sponsor or BMR Owner must reduce the price by no less than five percent (5%), unless otherwise approved by MOHCD.

***For Project Sponsors*:** If, after following all the steps above, the Project Sponsor is still unable to find an eligible buyer, the sales price must be further reduced until the BMR Unit is sold.

***For BMR Owners*:** If, after following all of the steps above, the BMR Owner is still unable to find an eligible buyer, MOHCD may, on a one-time basis only, allow an increase in the permissible income level for prospective BMR buyers up to twenty percent (20%) above the actual maximum income level for the BMR Unit, provided that it remains at least twenty percent (20%) below the market-rate price (as further described in Section IV (A)(1) above) and does not exceed 120% AMI at any time (unless otherwise amended in the Planning Code). Such an increase shall not be extended to any future sales of that BMR Ownership Unit. The BMR Owner must inform prospective BMR buyers of the one-time nature of the qualifying income increase. The BMR Unit must be in good physical condition prior to resale. The resale price of the BMR Unit may be further reduced in the event of excessive wear and tear or insufficient maintenance by the BMR Owner, as discussed in Section IV (D)(3) (*Maintenance*) of this Manual. In addition, if a BMR Owner has lowered their sales price to the original purchase price plus closing costs (up to three percent (3%) of the original purchase price), MOHCD may consider granting the following exceptions on a one-time basis:

(1) A one-time waiver of the First-Time Homebuyer rules for the purchasing Household;
(2) A one-time waiver of the minimum Household size rule for the purchasing Household;
(3) A one-time waiver of the asset test for the purchasing Household; and,
(4) A one-time waiver of any other eligibility requirements that are deemed necessary and reasonable to MOHCD.

Any exception to eligibility criteria will not be allowed or applicable to any future sales of that BMR Ownership Unit. The BMR Owner must inform prospective BMR buyers of the one-time nature of the qualifying exceptions.

7. Inability to Obtain Financing

Under extenuating circumstances, MOHCD may, in its sole discretion, consider a request from a BMR Owner or a Project Sponsor to accept an all-cash offer, alternative financing, or waive certain eligibility requirements for a BMR applicant. Such circumstances may include a Project with pending litigation, or a Project not conforming to lending standards. In order to consider such a request, MOHCD must have sufficient documentation to prove that:

- Financing through any MOHCD-Approved Lenders is not available; and
- The extenuating circumstances are expected to last for a minimum of six (6) months; and
- BMR Owners will not face long-term financial consequences from the alternative arrangement; and
- The alternative arrangement shall comply with Fannie Mae and Freddie Mac's requirements.

8. MOHCD Conditional Approval

Eligible applicants will receive a conditional approval letter from MOHCD which starts the purchasing and finance process. During this process, applicants should obtain guidance from their housing counselor, lender, and/or real estate professional before making any large purchases or increasing regular income. Changes to Liquid Assets, employment status, or levels of income could impact the ability to qualify for a first mortgage loan and the applicant's eligibility for the BMR purchase. Applicants shall remain income-qualified starting from the date of MOHCD's conditional approval letter until the close of escrow.

9. Unit Selection

Applicants of newly constructed BMR Units have the opportunity to choose among appropriately sized BMR Units in Lottery rank order. For more information on the unit selection process, see the MOHCD Marketing, Housing Preferences and Lottery Procedures Manual.

10. Sales Contract / Purchase Agreement

MOHCD provides a form of an addendum to a purchase agreement for use by the Project Sponsor or BMR Owner for each BMR Ownership Unit. Each purchase agreement shall incorporate the MOHCD purchase agreement addendum for each BMR Ownership Unit. This addendum specifies contingency and close of escrow timelines (described in this section), fees typically paid by the seller (described in Section IV (C)(1)(b) of this Manual), and other terms and conditions required under this Manual, including but not limited to proper disclosure to the buyer of the financing contingency deadline, the buyer's earnest money deposit refund policy, no per-diem or similar charges if the buyer is proceeding with the sale in good faith, and the prohibition of dual agency unless prior approval by MOHCD.

An applicant has seven (7) calendar days from the date of the MOHCD conditional approval letter to enter into a purchase contract with the seller of a BMR Unit. The purchase contract must include:

- at least a forty-five (45) calendar day financing contingency period; and
- at least a sixty (60) calendar day close of escrow period.

It is important to note that BMR sales transactions are sometimes extended beyond the sixty (60) calendar day period to accommodate both the buyer and the seller. If the buyer is proceeding with the sale in good faith, the seller (Project Sponsor or BMR Owner, as applicable) shall not impose per-diem charges for failing to close the sale within the original close of escrow date.

11. Real Estate Agent Representation

All real estate agents in a BMR transaction shall:

- Be licensed by the California Department of Real Estate (DRE);
- Represent a BMR buyer in all aspects of the transaction; and
- Refrain from serving as a dual agent (defined as a real estate broker, or agents working for the same broker, who act on behalf of both the seller and the buyer in a transaction) unless otherwise approved by MOHCD.

Commission for BMR Initial Sales

If a Project Sponsor offers compensation to the buyer's agents of market-rate units in the Project, such Project Sponsor shall also compensate the BMR buyer's agent at the same rate. The Project Sponsor's agent or their affiliates are prohibited from acting as the BMR buyer's agent in the same transaction.

If no buyer's agent in a Project is provided with a commission and/or the Project Sponsor's agent will serve as the agent for all buyers of market-rate units, a Project Sponsor may request a waiver from MOHCD to allow the Project Sponsor's agent to represent the buyers of BMR Units. MOHCD may request documentation to verify this dual agency arrangement. Upon approval by MOHCD, the Project Sponsor's agent may represent the BMR buyer.

Commission for BMR Resales

When reselling a BMR Unit, the BMR Owner has the choice to cover all real estate commission costs, provided they do not exceed five percent (5%) of the BMR resale price. However, if the BMR Owner opts not to cover the entirety of the real estate agent commission costs, both the BMR Owner and the BMR buyer are equally responsible for these costs, which shall not exceed five percent (5%) of the BMR resale price. The BMR Owner's agent or their affiliates are prohibited from acting as the BMR buyer's agent. Both seller's and buyer's agents must comply with all applicable laws related to commissions.

12. Financing

Navigating mortgage financing, whether for a BMR Unit or a market-rate unit, can be complex. The following sections contain technical terms commonly used in the mortgage industry. It is recommended that a BMR buyer consult with a housing counselor or lender for further clarification.

Within twenty-one (21) calendar days after an applicant is in contract to purchase a BMR Unit, the MOHCD-Approved Lender will prepare and submit a mortgage loan commitment and provide ***ALL*** the following documentation to MOHCD:

a) Completed MOHCD Lender Closing Checklist

b) Fully executed Sales Contract
c) Lender Loan Application and Underwriting Transmittal Summary (mortgage forms 1003 and 1008)
d) Fair Market Appraisal (color copy)
e) Preliminary Title Report
f) Mortgage Loan Commitment Letter
g) Loan Estimate
h) Applicant's Credit Report
i) Certificate of Completion of Homebuyer Education
j) Federal Income Tax Transcripts
k) Verification of Employment
l) Estimated Combined Settlement Statement
m) All other documents listed on MOHCD Lender Closing Checklist

All loans in a BMR transaction must meet the following financing criteria:

- **LTV/CLTV Ratio**
    - Minimum Loan to Value (LTV) Ratio 50%
    - Maximum Combined Loan to Value (CLTV) Ratio 105%
- **Debt Ratios**
    - Front-end or housing ratio: no lower than twenty-eight (28%) and no higher than forty-three (43%)
        - The front-end ratio includes the following housing expenses: principal and interest payments on the first mortgage, principal and interest payments on subordinate, non-deferred loan (if any), private mortgage insurance premium (if applicable), property taxes (including special assessments), hazard insurance, Homeowner's Association Dues, and other proposed housing expenses.
        - MOHCD may consider a maximum front-end ratio up to forty-five percent (45%) if two or more of the following indicators are present: (i) proven ability to devote a larger amount of income to housing expenses. The applicant has successfully demonstrated an ability to make rental payments for twelve (12) consecutive months that are equal to or greater than the proposed monthly payments for the housing being purchased; (ii) at least six (6) months of housing expenses in reserves through Liquid Assets, or at least twelve (12) months of housing expenses in reserves through non-Liquid Assets and retirement accounts; (iii) a large down payment (twenty percent or more) toward the purchase of the BMR Unit; (iv) FICO score greater than 700; and (v) the proposed housing expenses will not increase more than five percent (5%) over previous housing expenses.
    - Back-end ratio or total debt-to-income (DTI) ratio: no higher than forty-five (45%)

        - Back-end ratio is the ratio of monthly housing costs, plus all other monthly recurring debts (including, but not limited to, credit card, mortgage and auto loan payments, child support payments, and any other debt or payment obligations), to the Gross Income. See Appendix (C)(1) for detailed guidelines.
        - The debt obligations guidelines are designed to be consistent with the Fannie Mae Single Family Selling Guide or Freddie Mac Single-Family Seller/Servicer Guide (collectively referred to as "Mortgage Underwriting Guidelines"), wherever possible, while serving the intent of the City's homeownership programs. For areas not covered in this Manual or updated by Fannie Mae or Freddie Mac after publishing this Manual, MOHCD may, at its sole discretion, follow Fannie Mae's or Freddie Mac's the updated Mortgage Underwriting Guidelines provided by Fannie Mae or Freddie Mac.
- **Buyer Contribution Requirement**
    - Minimum one percent (1%) of the purchase/sales price toward the down payment and/or closing costs.
    - The entire down payment and closing costs may come from gift funds.
- **Reserves Requirement**
    - Two (2) month's housing expenses (as listed above) in reserves after close of escrow
    - Funds from BMR buyer's retirement accounts can be used to meet the reserve requirement (see Section III (C)(4)(a) for additional guidelines).
- **First Mortgage Loan Term**
    - 30-year loan term
    - Fixed interest rate with fully amortizing mortgage payments
- **Loan Originator**
    - BMR Buyers must obtain financing from MOHCD-Approved Lenders listed on MOHCD's website.
- **Interest Rates and Fees**
    - First mortgage interest rate and other fees associated with the transaction must be usual, customary and reasonable.
    - No upfront fees (except third party credit reporting, appraisal and inspection fees)
- **FICO Score**
    - MOHCD does not establish a minimum FICO score for BMR Buyers.
    - Lenders determine the minimum FICO score according to their own guidelines and loan products.
- **Co-Signing**
    - Co-signing is not allowed.
- **Third Party Credits and Contributions**
    - Credits and contributions from a third party (including, but not limited to the seller, real estate agent/or broker, lender), are allowed for non-recurring closing costs and/or prepaids.
    - All credits must be used in escrow.

- **Impound Account**
  - Taxes and insurance impound account is required.
- **Appraisal Report**
  - A Fair Market Appraisal report using only market-rate units as comparable is required.
  - The report must be no more than ninety (90) calendar days old at the time of submission of lender package to MOHCD.
- **Loan Prepayment**
  - BMR Owners may prepay first mortgage loans before the loan term, but BMR Owners who also have Below Market Rate Downpayment Assistance Loan Program (BMR DALP) loans from the City may be required to repay the BMR DALP loan at that point. Refer to the DALP Manual for details.

13. City and Other Government Financing Assistance

Applicants are encouraged to work with a MOHCD-Approved Lender to determine eligibility for MOHCD and other First-Time Homebuyer assistance programs that may help with the purchase of a BMR Unit. While these programs may add processing time to the BMR transaction, they can be invaluable in helping an applicant qualify for a mortgage. A MOHCD-Approved First-Time Homebuyer Education Provider can provide more information on other first time homebuyer assistance programs.

When financing with MOHCD first time homebuyer assistance programs, such as Below Market Rate Downpayment Assistance Loan Program (BMR DALP), Teacher Next Door (TND), an applicant must meet all the eligibility requirements for the particular City loan program. In the case of any conflicting requirements, the more restrictive will apply.

BMR Buyers that use the MOHCD-administered down payment assistance program should consult the DALP Manual for additional program guidelines. The DALP Manual can be found on the DALP website.

14. MOHCD Final Approval

If no further information is required from the BMR applicant or the MOHCD-Approved Lender, within fifteen (15) business days of receipt of the full and complete lender package, MOHCD will determine final eligibility, release program documents to the BMR applicant along with escrow instructions to the title company and proceed with escrow closing.

C. Purchasing a BMR Unit

1. Closing the Sale

a) Form of Title

Tenancy-in-common is not a permitted form of ownership. Unmarried persons or three or more individuals must hold the title as joint tenants. For married individuals, the title can be held either as joint tenants or as community property (with right of survivorship).

b) Transaction Fees for BMR Sales

The Project Sponsor or BMR Owner shall pay all customary and reasonable transaction fees typically paid by the seller in a residential real estate transaction, including, but not limited to, all costs associated with real estate commissions (as detailed in Section IV (B)(11) of this Manual) and the City and County of San Francisco Transfer Tax. A BMR buyer or their real estate agent shall not pay for such customary transaction fees or negotiate with the seller (Project Sponsor or BMR Owner, as applicable) or their agent regarding such customary transaction fees to leverage an offer.

c) Pre-Closing Buyer Meeting

Once MOHCD has issued a final approval for the purchase of a BMR Ownership Unit ("Purchase Commitment Letter"), which expires in thirty (30) calendar days from the date of the letter, all Household members that will appear on the title are required to attend a pre-closing meeting with MOHCD staff. During this meeting, MOHCD staff will review the Acknowledgement of the Declaration of Restrictions, this Manual, other applicable documents, including the Post-Purchase Education requirement described in Section IV (C)(3) of this Manual, and answer any questions about the BMR Ownership Program.

d) Title Company

BMR Unit sales transactions are more complicated than traditional home sales and require additional steps on the part of title companies. All sales transactions must take place through an escrow account with a title company mutually acceptable to seller and buyer. To ensure a smooth transaction, it is recommended that a BMR seller and buyer select a title/escrow company with experience in BMR transactions. MOHCD can provide applicants, Project Sponsors and BMR Unit Owners with a list of title companies and escrow officers with experience in San Francisco BMR transactions. The Project Sponsor or the BMR Owner's selection of a title/escrow company is subject to MOHCD approval, ensuring streamlined sales processes and adherence to MOHCD's standard closing procedures. These include:

i. **Proven Track Record**: Title/escrow companies should present a track record of experience and efficiency in facilitating the BMR sales transactions following MOHCD's standard closing procedures.
ii. **Compliance with Turnaround Time and Procedures**: Title/escrow companies must adhere to MOHCD's prescribed turnaround times and closing procedures. This includes promptly responding to MOHCD's requests for information necessary to issue loan disclosures under the Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) Integrated Disclosures (TRID) rules and instructions in the City's escrow instructions.
iii. **Customer Service**: Title/Escrow companies shall provide responsive communication, knowledgeable assistance, and proactive problem-solving throughout the BMR sales transaction, ensuring a positive experience for all parties involved.

Once a buyer and seller have executed documents and before proceeding with closing, the title company must send the following to MOHCD:

- Escrow acceptance of the City's escrow instructions
- Original borrower's signed BMR Note
- Certified copy of signed BMR Deed of Trust
- Certified copy of signed Declaration of Restrictions and Option to Purchase Agreement
- Certified copy of signed Acknowledgement of the Declaration of Restrictions, Notice of Special Restrictions, and Procedures Manual
- Certified copy of signed Request for Notice of Default
- Estimated Combined Master settlement statement
- Copy of signed first mortgage note and deed of trust
- Copy of first mortgage lender escrow instructions
- Certified copy of signed grant deed
- HO-6 homeowners hazard insurance policy or other homeowners' insurance policy approved by MOHCD and naming the "City and County of San Francisco, a municipal corporation" as an additional insured.
- Closing Disclosure
- Copy of signed note and deed of trust for any MOHCD-approved subordinate loans or liens used to purchase the BMR Unit
- Escrow deposit receipt of funds to close including a copy of cashier's check or wire transmittal
- Any other applicable documents required by MOHCD

2. Documents that Enforce Program Restrictions

Before the issuance of the First Construction Document (as defined by Section 401) by the Department of Building Inspection, a Notice of Special Restrictions reflecting conditions of Project approval, and other appropriate documentation, is recorded with the Office of the Recorder of the City and County of San Francisco on each BMR Unit. Such restrictions and other recorded documents include language restricting the sale or rental of the BMR Unit in accordance with the Use Restrictions.

Key documents include:

a) Promissory Note or BMR Note

MOHCD prepares the BMR Note in an amount equal to the difference between (i) the appraised fair market value of the BMR Unit without regard to the sales restrictions on the BMR Unit at the time of purchase, and (ii) the Maximum Purchase Price of that Unit at the time of purchase pursuant to the Use Restrictions. All BMR Notes contain restrictions on resale and rental of a BMR Unit.

The BMR Note provides for an appreciation and is due and payable, in full, if either of the following occurs: (1) the date of a sale or Transfer of the BMR Unit that is not in compliance with this Manual and/or the Use Restrictions; or (2) the date of an event of a default of any of the

conditions, obligations or covenants contained in the BMR Note (including without limitation the covenant to sell the BMR Unit in compliance with the Use Restrictions). The appreciation is equal to the difference between (i) the appraised fair market value of the BMR Unit at the time of purchase without regard to the BMR restrictions in the NSR and/or other applicable Use Restrictions, and (ii) the appraised fair market value of the BMR Unit at the time of resale without regard to the BMR restrictions in the NSR and/or other applicable Use Restrictions.

The BMR Note is terminated, and no amount is due, upon a resale of the BMR Unit performed in compliance with this Manual and the Use Restrictions.

b) Deed of Trust

The BMR Deed of Trust is subordinate to the first mortgage deed of trust, executed by the Buyer as trustor, for the benefit of the City to secure the BMR Note. The BMR Deed of Trust will not be subordinated to any other liens or restrictions affecting the Project or a BMR Unit.

c) Declaration of Restrictions and Option to Purchase Agreement

BMR Owners execute a Declaration of Restrictions and Option to Purchase Agreement that, among other things, requires the BMR Owner to comply with the Use Restrictions and grants the City an option to purchase the BMR Unit in the event that the Owner does not comply with the Program terms.

d) Buyer Acknowledgment of Special Restrictions

Each BMR Owner shall execute and deliver to the City an "Acknowledgement" that s/he has read this Manual, the Use Restrictions, and the recorded Declaration of Restrictions and Option to Purchase Agreement for the BMR Unit.

At the Close of escrow for an individual BMR Unit, the Acknowledgement, the Declaration of Restrictions and Option to Purchase, and the City and County of San Francisco Deed of Trust are all recorded against the BMR Unit with the Office of the Recorder of the City and County of San Francisco. When a BMR Owner sells a BMR Unit in compliance of this Manual and the Use Restrictions, the BMR Owner's BMR Deed of Trust will be reconveyed or terminated by the City, and the new Buyer will enter into a new Declaration of Restrictions and Option to Purchase Agreement, a new BMR Note, a new BMR Deed of Trust, and any other documents required by the City.

3. Post-Purchase Education

All BMR Owners are expected to attend at least 6 hours of Post-Purchase Education workshops within 24 months of the purchase of a BMR Unit. Homeowner education workshops cover topics such as HOA rights and responsibilities, property taxes, refinancing a BMR Unit, and property/home maintenance. As part of the closing costs, BMR Owners pay a fee to ensure attendance at a "Post Purchase" workshop, which will be provided by a nonprofit agency. This fee shall not exceed $200 and will be authorized by MOHCD in the City's escrow instructions. The fee will be refunded in full to BMR Owners who complete all 6 hours of post purchase education within 24 months of purchase. After 24 months of the date of purchase, any unclaimed deposit will be retained by the designated nonprofit agency. MOHCD will

provide information about the date, time, and location of post-purchase workshops on MOHCD's website, and will send regular announcements to new homeowners via mail and email.

MOHCD-Approved Lenders shall follow the Real Estate Settlement Procedures Act (12 U.S.C. 2601 et seq.) for proper disclosure of the Post-Purchase Education fee.

D. Owning and Occupying a BMR Unit

Owning and selling a BMR Unit differs in many ways from owning and selling a market-rate home. As a result, it is important that BMR Owners understand the rules and procedures of the Program fully. Any violation of the Program rules and regulations, Use Restrictions, and applicable sections of the Planning Code may result in the City declaring the BMR Owner to be in default of the Program and may lead to the immediate sale of the BMR Unit as well as monetary and other enforcement actions.

The following restrictions apply to all BMR Owners for the Life of the Project:

1. Owner Occupancy

The BMR Unit must be the BMR Owner's Primary Residence. All members of the Household, unless otherwise approved by MOHCD as Temporarily Absent Household Members outlined in Section II (A)(5), must begin occupying the BMR Unit as their Primary Residence within sixty (60) calendar days of the close of escrow (completion of purchase), and the BMR Owner must continue to occupy the BMR Unit as their Primary Residence until the BMR Owner no longer owns the BMR Unit.

2. No Renting

Except as provided in this Section, BMR Owners are prohibited from renting or subleasing any part of a BMR Unit without prior written approval from MOHCD. No part of a BMR Unit can be rented or subleased as a short-term rental or listed on short-term rental or vacation rental sites at any time. Renting a parking space or any other space purchased with the Unit is also prohibited.

In its sole discretion, MOHCD may grant consent to a BMR Owner to rent all or part of their BMR Unit for up to 12 months. Circumstances considered include:

- The Household is required to temporarily relocate due to documented employment requirements;
- The BMR Owner is experiencing temporary financial hardship where the Households monthly housing expenses exceed fifty percent (50%) of the total Household income; or,
- For other reasons deemed acceptable by MOHCD in its sole discretion.

MOHCD will consider allowing the temporary rental only if all the following conditions are satisfied:

- BMR Owner is in compliance with all Program requirements and has not previously been out of compliance.
- The total period for which the BMR Unit is leased does not exceed 12 months and is not offered as a short-term rental.
- The tenant satisfies the income and other eligibility requirements placed on the BMR Unit.

- The tenant acknowledges, in writing, that the rental is temporary.
- Initial rent does not exceed the Maximum Annual Rent that MOHCD would allow for a BMR Rental Unit with the same Maximum Household Income restriction or the BMR Owner's total documented housing expenses (including Mortgage principal and interest, property taxes, HOA Dues, and insurance), whichever is lower.
- Owners experiencing temporary financial hardship are required to reside in the BMR Unit and provide MOHCD with written confirmation from a HUD-approved housing counseling agency indicating that temporarily subletting of a portion of the BMR Unit will lead to long-term financial stability.

3. Maintenance

BMR Owners will maintain the BMR Unit in compliance with all applicable laws, ordinances and regulations and in a good and clean condition, including all appliances included in their original purchase. BMR Owners must order a home inspection at their own expense from a certified and independent third-party home inspector. The inspection should entail a full interior inspection, including but not limited to electrical, plumbing, heating and cooling systems, appliances, and structural features. If any deficiencies are noted in the inspection report or any other documents, MOHCD will provide the BMR Owner with written guidance on which deficiencies must be corrected as a condition of resale. Additionally, any abnormal or excessive wear and tear, or damage resulting from neglect, abuse, or insufficient maintenance by the BMR Owner must be addressed. All repairs shall be completed prior to marketing the BMR Unit, unless alternative arrangements are agreed upon by MOHCD. BMR Owners shall follow MOHCD's Property Inspection and Repairs Policy in effect at the time of the resale, ensuring compliance with established standards and procedures.

If a BMR Owner demonstrates financial or other inability to address identified deficiencies, the BMR Owner may secure short-term financing from MOHCD to cover the cost of the repairs, to be repaid from the sale proceeds upon the close of escrow. Depending upon funding availability, MOHCD may be able to provide such financing at a zero precent (0%) interest rate to income qualified BMR Owners.

4. Insurance

The BMR Unit must be covered by an insurance policy for a minimum of its replacement value. MOHCD must be named as an additional insured or loss payee on the insurance policy. If HOA master policies do not cover replacement of the interior of the BMR Unit, the BMR Owner must obtain and maintain separate HO-6 condominium or other homeowner insurance policy that lists the City as an additional insured or loss payee during the BMR Owner's term of ownership.

5. Annual Monitoring

MOHCD requires occupancy certification on an annual basis. BMR Owners are required to provide information and documentation regarding occupancy status, insurance and any other information deemed necessary by MOHCD to determine compliance with the Program. At its discretion, MOHCD may require additional documentation after submittal of the initial documentation. MOHCD will not consider requests for subordination, capital improvements, title change or other requests if a BMR Owner is non-compliant with any Program rule.

6. Title Changes

For any changes to the title of a BMR Unit, BMR Owners must comply with the MOHCD Title Change Policy, as amended from time to time, found on the MOHCD website.

MOHCD will not permit changes in title except as provided below. BMR Owners must get written permission from MOHCD before making any changes to title. MOHCD requires documentation to approve any title change, and BMR Owners must be compliant and current with annual monitoring requirements to be considered for requested title changes. Mutually agreed to amendments to title documents will be recorded. MOHCD permits a change in title only for one of the following reasons:

a) Marriage or Domestic Partnership

No sooner than 12 months after the original purchase, the Spouse or Domestic Partner of a BMR Owner may be added to title and assume the same rights and responsibilities as the original BMR Owner.

b) Dissolution of Marriage or Domestic Partnership

Submittal to MOHCD of proof of death, dissolution of marriage or Domestic Partnership is the only way to remove a BMR Owner from title.

c) Owner's Death

When one BMR Owner dies, any surviving co-owners previously approved by MOHCD continue to hold title. Surviving owners must notify MOHCD within sixty (60) calendar days and provide all requested documentation prior to removing a deceased owner from title.

When all BMR Owners on title (named on the deed) have died, the BMR Unit may be transferred by inheritance, will, or any other function of law to (i) the BMR Owner's child or stepchild or (ii) the BMR Owner's Spouse or Domestic Partner who is not named on the deed, provided that the person inheriting the BMR Unit qualifies for the Program. Within one (1) year of the death of the BMR Owner, the proposed transferee of the BMR Unit shall submit a full standard BMR application with financial and other qualifying information (including loan pre-approval and completion of the First-Time Homebuyer education requirement) to verify eligibility. If qualified, within ninety (90) calendar days, the child, Spouse or Domestic Partner shall execute a BMR Note, Deed of Trust, and any other City documents related to the BMR Unit and assume the same rights and responsibilities as the deceased BMR Owner. If not qualified or not interested in retaining the BMR Unit, within thirty (30) calendar days following the disqualification or within twelve (12) months of the death of the BMR Owner, the child, Spouse or Domestic Partner must begin the sales process by following the resale timeline and procedures to sell the BMR Unit to a Qualified Household meeting all eligibility requirements of the Program. The heir(s) of the BMR owner is/are entitled to receive the deceased BMR Owner's proceeds after the sale.

d) Living Trust

MOHCD will consider requests to Transfer title to an inter vivos (living) revocable trust from a BMR Owner only if the following conditions are met:

- Trust complies with and is governed by the laws of California.
- The BMR Owner must be named as the trustor, trustee and primary beneficiary of the trust.
- There is no unusual risk or impairment of the City's rights, including the right to have full title to the property in the case of default or foreclosure.
- The proposed living trust documents contain language approved by MOHCD that a Transfer of the BMR Unit to a beneficiary under the living revocable trust who is not the BMR Owner triggers the City's right of first refusal or option to purchase the BMR Unit, and other rights under the Program.
- Any changes to a MOHCD-authorized trust must be approved by MOHCD before those changes are made.

7. Refinancing a BMR Unit

BMR Owners must obtain MOHCD's prior written approval of any refinancing of a loan and the addition of any lien on the BMR Unit regardless of lien position. At all times, the City's lien position must be maintained and will only be subordinated pursuant to the MOHCD Subordination Policy. BMR Owners must follow the MOHCD Subordination Policy, no earlier than twelve (12) months after purchase, and BMR Owners may submit a request to MOHCD to refinance their first mortgage for the following purposes:

- Lower interest rate
- Shortened first mortgage loan term
- Lower monthly payment

When requesting approval to refinance, BMR Owners must:

- Use a MOHCD-Approved Lender
- Be up to date with annual BMR Unit monitoring and in compliance with Program rules
- Pay an administrative fee posted on MOHCD's website
- Have no delinquent mortgage payments, property taxes, HOA payments, unauthorized loans, or liens
- Satisfy any other requirements outlined in MOHCD's Subordination Policy

Cash equity withdrawals on BMR Units are allowed only under the following circumstances and must be pre-approved in writing by MOHCD:

- Capital improvements to the BMR Unit;
- Educational expenses of a Household member;
- Medical expenses of the BMR Owner or the BMR Owner's immediate family member; and
- Funds required to implement a marriage dissolution agreement or Domestic Partnership dissolution agreement.

Documentation supporting the expense will be required. Under no circumstances can the new loan amount exceed the original loan amount.

The same individuals who were named as borrowers on the BMR Note used for the initial purchase of the BMR Unit shall also be named as borrowers on any refinancing loan unless MOHCD has approved the addition of a borrower by marriage or Domestic Partnership or the removal of a borrower by death, divorce, or dissolution of Domestic Partnership or similar change under Section IV (D)(6) (*Title Changes*) of this Manual.

BMR Owners with down payment assistance loans from MOHCD shall not access cash equity from refinancing until the down payment assistance loan is repaid in full.

BMR Owners with a Below Market Rate Downpayment Assistance Loan Program ("BMR DALP") should consult the DALP Manual for additional subordination requirements. The DALP Manual can be found on the DALP website.

8. Default and Foreclosure

BMR Owners are strongly encouraged to contact MOHCD as soon as possible if they are at risk of a loan default, or a foreclosure, or if HOA Dues or Special Assessments become unaffordable. MOHCD supports HUD-approved housing counseling agencies to help negotiate loan modification at no cost to BMR Owners.

Use Restrictions will survive foreclosure, and any BMR Units purchased by an ineligible buyer through foreclosure must be immediately resold through MOHCD's resale process to a Qualified Household. The resale price shall not exceed the lesser of Maximum Resale Price determined by the Pricing formulas under the Use Restriction or the Affordable Price as described in Section IV (E)(2) below.

E. Reselling a BMR Unit

A BMR Owner may only sell their Unit to a Qualified Household. All Transfers shall take place through an escrow account with a title company mutually acceptable to the seller and buyer. No Transfer shall be permitted unless the selected title company complies with escrow instructions provided by MOHCD.

BMR Owners are encouraged to thoroughly evaluate their financial circumstances and plan accordingly when they are considering leaving the BMR Unit and moving into a new place before completing the sale of their BMR Unit. Managing two housing payments concurrently can present challenges, and there may be unforeseen delays in selling the BMR Unit within the anticipated timelines.

The following table describes the major steps and approximate processing times BMR Owners can expect for most resales. All processing times listed are estimates, and transaction times may vary depending on unique circumstances presented by a particular BMR Unit.

MOHCD Resale Processing Timeline	
Steps	**Time Estimate**
Pricing (Seller submits Notice of Intent to Sell; MOHCD issues Pricing Letter)	30 calendar days
Marketing Plan Submittal (Seller's Agent submits Marketing Plan to MOHCD)	7 calendar days
Marketing Plan Approval (MOHCD approves the resale marketing plan and posts BMR Unit on DAHLIA)	14 calendar days
Marketing (MOHCD accepts Lottery Applications on DAHLIA)	21 calendar days
Lottery for Resale Buyer (MOHCD conducts Lottery after application deadline)	7 calendar days
Full Application Submittal (Buyer submits Full Application)	5 business days
MOHCD Application Review (MOHCD reviews Full Application and issues Conditional Approval)	15 business days
Contract Ratification (Buyer signs Sales Contract with 45-day financing contingency & 60-day closing)	7 calendar days
Mortgage Loan Approval (Lender approves Buyer's first mortgage loan and submits Lender Package to MOHCD within 21 calendar days)	21 calendar days
MOHCD Final Approval (MOHCD reviews Lender Package and issues Final Approval)	15 business days
Escrow and Closing (Buyer and Seller sign closing documents and escrow closes)	15 calendar days
Approximate Total Calendar Days	**170 days**

When selling a BMR Unit, BMR Owners must adhere to the following procedures.

1. Notice of Intent to Sell

A BMR Owner that is ready to sell must notify MOHCD in writing at least thirty (30) calendar days prior to marketing the BMR Unit. MOHCD will provide the Maximum Resale Price only upon receipt of all of the following documents:

- A resale pricing request on a form provided by MOHCD ("Resale Pricing Request Form");
- An executed Listing Agreement with a licensed real estate agent who is a member of the San Francisco Multiple Listing Service (MLS);
- Proof of monthly HOA Dues in the form of an invoice or payment coupon;
- A statement of all reimbursement credits for capital improvement and/or Special Assessments approved by MOHCD (if applicable);
- Property inspection and disclosure documents; and
- Any other documents listed on the Resale Pricing Request Form.

Within thirty (30) calendar days of receipt of a complete request, MOHCD will issue a Pricing Letter containing the Maximum Resale Price of the BMR Unit and any other conditions of sale ("MOHCD Pricing

Letter"). No more than one Pricing letter shall be requested in any calendar year, and any Pricing requests received within twelve (12) months of another request may be subject to a fee as determined by MOHCD.

The MOHCD Pricing Letter is valid for six (6) months from the date of MOHCD's letter and cannot be changed even if a new Maximum Income Chart is published by MOHCD while the BMR Unit is listed for sale. The MOHCD Pricing Letter must be valid at the time the BMR Unit is listed on DAHLIA. If the MOHCD Pricing Letter has expired, the BMR Owner must submit a new Pricing Request with all required updated documentation (listed above). Additionally, BMR Owners who have cancelled their listing shall not submit another Pricing Request within twelve (12) months of the cancellation, except for a hardship waiver approved by MOHCD.

No separate terms can be required within a sales agreement that requires the BMR Buyer to purchase appliances, furnishings, storage units or other items. All amenities and parking spaces that were purchased with the BMR Unit originally must be sold with the Unit upon resale. Repricing may be subject to a fee as listed on MOHCD's website.

2. Maximum Resale Price

The Maximum Resale Price will be calculated according to a formula designed to ensure that BMR Units remain affordable. The specific Resale Pricing Formula for determining the Maximum Resale Price (described below) for BMR Units where the most recent sale is after the effective date of this Manual will be contained in a Declaration of Restrictions and Option to Purchase Agreement recorded against the specific BMR Unit.

A BMR buyer is under no obligation to purchase a BMR Unit at the Maximum Resale Price, and likewise, a BMR Owner is not entitled to sell a BMR Unit at the Maximum Resale Price. As in any real estate transaction, market conditions can significantly affect a BMR Owner's ability to sell their BMR Unit. BMR Owners should be prepared to negotiate in a down market and may have to lower the price in order to attract a BMR buyer, especially if the BMR Unit has deferred maintenance or excessive wear and tear and/or the BMR buyer's affordable housing cost is lower than those calculated from the Maximum Resale Price. The Maximum Resale Price is simply the maximum amount that a BMR Owner may sell the BMR Unit, and there is no minimum resale amount.

The price of a BMR Unit at resale is not guaranteed to exceed the initial purchase price of the BMR Unit. However, any appreciation gained from the sale of a BMR Unit belongs to the BMR Owner upon resale unless the BMR Owner has an additional loan from the City or other entity that requires repayment and/or an appreciation share.

Except for title changes pursuant to Section IV (D)(6) of this Manual, the BMR Owner shall Transfer the BMR Unit at a sales price of no greater than the Maximum Resale Price. The Maximum Resale Price is determined as the ***lesser*** of the Adjusted Resale Price and the Affordable Price, as explained below:

Adjusted Resale Price

The Adjusted Resale Price is calculated by adding the following:

- The price that the BMR Owner paid for the BMR Unit upon close of escrow ("Base Price") adjusted by the percentage change in AMI (up or down) from the year of purchase to the year of the BMR Unit resale Pricing (the "Change in AMI Formula"); plus
- The cost of capital improvements completed in compliance with Section IV (E)(3)(a)-(c) of this Manual; plus
- The cost of Special Assessment paid by the BMR Owner and documented in compliance with Section (IV)(E)(3)(d) of this Manual.

Affordable Price

The Affordable Price is calculated based on the proposed housing costs using the affordability formula outlined in the assumptions described in Section VI (K)(5) of this Manual.

The Maximum Resale Price must be no less than twenty percent (20%) below the appraised fair market value of the BMR Unit without any restrictions, as further detailed in Section IV (A)(1) of this Manual.

When Pricing and re-pricing, MOHCD uses the most recent Maximum Income Chart published by MOHCD. The year of purchase is the calendar year in which the BMR Unit closes escrow ("Purchase Year"), regardless of the specific time during that year when escrow closed. When reselling a BMR Unit, the calendar year in which the BMR Unit is being repriced will be used ("Repricing Year"). The AMI percentage change is determined by (1) finding the difference in the Repricing Year and the Purchase Year of the maximum income for a 4-person Household at 100% of AMI ("AMI Change"); and (2) dividing the AMI Change by the maximum income for a 4-person Household at 100% of AMI in the Purchase Year. This 4-person proxy will be applied regardless of the size of the BMR Unit or income designation of the BMR Unit.

3. Cost Reimbursement (Capital Improvements) in Resale Price

While the resale price of BMR Ownership Units is strictly limited in order to preserve affordability, BMR Owners have the opportunity to adjust the resale price by adding pre-approved, documented, depreciated value of costs associated with capital improvements, repairs, and Special Assessments, provided that such price does not exceed the Affordable Price or twenty percent (20%) below the appraised fair market value (as explained in Section IV (A)(1) above).

MOHCD will cap the depreciated value of all eligible capital improvements and eligible replacement and repair costs, combined, at ten percent (10%) of the resale price. BMR Owners may begin claiming all eligible capital improvements, repairs and replacements made ten (10) years or more after the initial sale of the BMR Unit; however, such capital improvements shall be subject to depreciation at a rate of seven percent (7%) per year from the date that the improvements were completed. All improvements that are credited in the resale price must remain in the BMR Unit at resale. Note that there is no cap on the amount of credit that can be claimed for Special Assessments; however, the amount is depreciated over time, as further detailed in subsection 3(d) below.

Approved credits are limited to those costs paid by the BMR Owner. Any improvement costs paid by a third party (such as an insurance company or the previous owner) are not eligible for credit. It is the responsibility of the BMR Owner to maintain cost and accounting records of all approved capital improvement credits.

BMR Owners must obtain MOHCD's approval for all eligible capital improvements, eligible replacement and repairs, and Special Assessments when the costs are incurred, and all City code requirements must be followed. In addition, BMR Owners must comply with any additional requirements under their CC&R's and/or HOA policies (as needed) when making improvements to their BMR Units. BMR Owners are encouraged to communicate with their HOA and obtain their approval before starting any improvement project.

No credit will be provided for improvement costs that are not submitted to MOHCD for review within six (6) months of completion of work, for work performed without required permits, or for work that does not comply with applicable San Francisco or California codes. Upon receipt of a complete request, MOHCD staff will review the request and arrange a site visit to inspect the completed improvements if deemed necessary by MOHCD. Once the improvements have been verified, MOHCD will send a written response, approving or denying the resale credit for cost reimbursement at resale.

a) Eligible Capital Improvements

Eligible capital improvement costs include major structural system upgrades, new additions to the BMR Units and improvements related to increasing the health, safety and energy efficiency of the property. Improvements that meet these criteria will be given one-hundred percent (100%) credit. Examples of such improvements include:

- Major electrical wiring system upgrade
- Room additions (bedroom additions will not increase the unit size at the time of resale)
- Alarm system
- Smoke detectors
- Major plumbing system upgrade
- Installation of additional closets and walls
- Removal of toxic substances, such as asbestos, lead, or mold/mildew
- Upgrade to double paned windows
- Insulation
- Upgrade to energy star built-in appliances as follows: furnace, water heater, stove/range, dishwasher and microwave hood.

b) Eligible Replacement and Repair

These costs include in-kind replacement of existing amenities, repairs and general maintenance that keeps the property in good working condition. Costs that meet these criteria will be given fifty percent (50%) credit for repairs.

- Electrical maintenance and repair, such as switches and outlets

- Countertops
- Built-in cabinets
- Plumbing maintenance and repair, such as faucets, supply line and sinks
- Bathroom tile
- Bathroom vanity
- Flooring
- Replacement of built-in appliances as follows: furnace, water/heater, stove/range, dishwasher, microwave hood, garbage disposal
- Window sash
- Heating system
- Lighting system (Recessed)

c) Ineligible Costs

These costs include cosmetic enhancements, installations with limited useful life spans, non-permanent fixtures, improvements with special features that are for personal needs, and alterations that are matters of personal preference. BMR Owners may undertake these projects for their own enjoyment to the extent they obtain all required permits, and the proposed alterations comply with applicable codes; however, the cost will not be added to the resale price. Ineligible costs can include, but are not limited to, the following:

- Fireplace tile and mantel, gas fireplace installation, decorative wall coverings or hangings, window treatments, installed mirrors, shelving, refinishing of existing surfaces
- Health spa, special entrances, thermostats, built-in stereo system
- Track lighting, doorknobs, handles, locks, portable appliances (refrigerator, microwave, stove/oven, etc.)
- Carpet, painting of existing surfaces, window glass, light bulbs
- Remodeling of a specific room, changing floor plan

d) Special Assessment Costs

As a building ages, an HOA may find it necessary to impose a fee on its owners to cover the cost of repairs or improvements to the building. The HOA Board of Directors must follow California Bureau of Real Estate laws when deciding to initiate a Special Assessment. All owners in a building, including BMR Owners, must share the burden of a Special Assessment. The cost of a Special Assessment will be added to the resale price of the BMR Unit at the depreciation rate of seven percent (7%) per year from the date that the Special Assessment payment was made. Monthly HOA Dues cannot be counted as Special Assessments.

MOHCD has a program to assist with a Special Assessment that is not affordable to a BMR Owner. BMR Owners are encouraged to contact MOHCD for more information.

e) Procedure for Submitting Cost Reimbursement in Resale Price

BMR Owners must submit a request for cost reimbursement in resale price to MOHCD for review within six (6) months of the completion of the Project or payment of a Special

Assessment. BMR Owners must submit a written request on a form provided by MOHCD that includes the following items:

For Capital Improvements, Replacement and Repairs:

- The receipt and invoice for each eligible improvement.
- Proof of payment, such as a cancelled check, bank account statement or credit card bill.
- A copy of site or building permits, if required.
- Contractor's license number for Projects exceeding $500.
- Before and after photos.

For Special Assessments:

- An invoice for the Special Assessment.
- Proof of payment, such as a cancelled check, bank account statement or credit card bill.

4. Marketing at Resale

The BMR Units must be marketed for at least twenty-one (21) calendar days preceding an application deadline. MOHCD will announce the available BMR Units on its email housing alert system and on the DAHLIA San Francisco Housing Portal. Among other requirements, the BMR Owner's real estate agent must:

- Conduct targeted marketing and outreach to prospective buyers, utilizing various channels, including online platforms, social media, email campaigns for digital outreach, direct outreach through door knocking and flyer distribution.
- Hold a minimum of three (3) open houses - including at least one weeknight and one weekend day, with each open house lasting at least two (2) hours.
- Advertise the BMR Unit on the San Francisco Multiple Listing Service (MLS) to promote public awareness and sync the SF MLS listing with third-party platforms such as Redfin and Zillow to reach a wider audience of potential buyers.
- Place a "for sale" sign that is easily visible from the street in accordance with the HOA regulations.
- Accept applications and distribute Lottery information in accordance with the most recent MOHCD application policies and procedures.
- Field all questions regarding the BMR Unit.
- Ensure completeness of all paper applications (if applicable).
- Be in compliance with all applicable federal, state and local laws relating to Fair Housing.
- Protect the personal identifying information of all applicants in accordance with this Manual.
- Attend and assist with the BMR public Lottery.
- Contact applicants in the Lottery rank to invite them to submit a full application in accordance with the MOHCD's instructions.

5. Applying, Purchasing, and Closing a Resale BMR Unit

Refer to Sections IV (A), (B), (C) and (D) above for detailed procedures for applying, purchasing, and closing the resale of a BMR Unit. Additionally, once the BMR Unit is sold, the new BMR Owner shall not lease any part of the BMR Unit at any time, including, but not limited to, the previous BMR Owner (seller).

V. BELOW MARKET RATE (BMR) RENTAL PROGRAM

Renting a BMR Unit differs in many ways from renting a market-rate apartment. As a result, it is important that applicants fully understand their rights and responsibilities under the Program. Any violation of the restrictions, policies and procedures set forth in this Manual and in applicable sections of the Planning Code may result in the City declaring the BMR Renter to be in default of the Program and may lead to the immediate termination of the BMR lease as well as monetary and other enforcement actions. The BMR Rental Program offers housing opportunities for Low Income, Moderate Income and Middle-Income Households in San Francisco. This section explains the rules for:

- Qualifying to rent a BMR Unit
- Applying for a BMR Unit
- Occupying a BMR Unit

A. Qualifying to Rent a BMR Unit

In addition to Household size and income requirements listed in Sections II (*Determining Program Participant Household Size and Eligibility*) and III (*Determining Income and Assets*) of this Manual, the following are eligibility requirements for a BMR Rental Unit.

1. Rent and Income Levels

The City restricts the rental of BMR Rental Unit to Households that are Low-Income, Moderate Income, and Middle-Income. Each BMR Unit has its own rent level and income limit. A legal document called a Notice of Special Restrictions (NSR) includes the specific income level for calculating the Maximum Annual Rent that may be charged for each BMR Unit. Applicants can review the listing information in DAHLIA San Francisco Housing Portal for details on the actual rent levels and income limits for each BMR Unit.

Most BMR Rental Units have rent levels that are affordable to Households earning either 55%, 80% or 110% of AMI. These rent levels may be amended over time by the City through the Planning Code.

Due to these amendments to the Planning Code over time, many older BMR Rental Units are available to Households at one income level, while newer BMR Units are available to Households ranging in income. For projects governed by this Manual, the following table sets forth the most common rent and income levels for BMR Units:

BMR Rental Program Rent Amounts and Income Limits by AMI Level

Target Rent Levels	Allowable Household Income
55% of AMI	At or below 65% of AMI
80% of AMI	Between 65% and 90% of AMI
110% of AMI	Between 90% and 130% of AMI

Households earning up to 65% of AMI may apply for BMR Rental Units with rent level at 55% of AMI. Households earning between 65% and 90% of AMI may apply for BMR Rental Units with rent levels at 80% of AMI. Households earning between 90% and 130% of AMI may apply for BMR Rental Units with rent levels at 110% of AMI.

Each year, MOHCD publishes new AMI charts showing rent levels and income limits for the most common income categories. Project Sponsors that have begun marketing BMR Units priced under an AMI chart from a previous year must use that Maximum Income Chart regardless of whether a new AMI chart is published in the middle of a marketing period.

To ensure BMR Renters continue to be eligible, MOHCD may use either the Maximum Income Chart published on the listing or the new Maximum Income Chart available at the time of MOHCD's review of the applicant's income qualification.

B. Application Process for BMR Rental Units

The process to rent new BMR units can take up to eight (8) months from the day the Project Sponsor announces the availability of newly constructed BMR Units until all the BMR units are leased, and 2 months for a re-rental to be leased. Actual processing times may vary depending on the Project Sponsor's advertising and marketing efforts, rent levels, the number of BMR Units in the Project, the Project Sponsor's staff capacity, construction delays, unit size, unit location within the building, neighborhood, additional information required to determine an applicant's eligibility, and other housing market conditions.

1. Project Sponsors and Third-Party Leasing Agents

Project Sponsors who choose to lease their own units shall meet the following criteria to income and asset qualify applicants:

- Execute a Program Participation Acknowledgment with MOHCD;
- Attend all MOHCD sponsored trainings and webinars;
- Demonstrate capacity to take on and complete new BMR Rental projects within the estimated timeframe outlined in this Manual; and
- Demonstrate ability and use of software tools to communicate with applicants via email, texting, phone, and United States mail, and to securely send and receive documents containing personal identifying information.

Project Sponsors often choose to hire a third party who specializes in the leasing of BMR Rental Units. Subject to Participation Agreement, Project Sponsors may contract with qualified third-party vendors who meet the following minimum criteria to work independently on behalf of the Project Sponsors to income and asset qualify applicants:

- Demonstrate at least two years of affordable housing leasing experience or a successful completion of a previous BMR Rental Unit(s) lease up monitored by MOHCD;
- Demonstrate capacity to take on and complete new BMR Rental projects within the estimated timeframe outlined in this Manual;

- Complete a MOHCD sponsored training/webinar within the last 12 months;
- Demonstrate ability and use of software tools to communicate with applicants via email, texting, phone, and United States mail, and to securely send and receive documents containing personal identifying information; and
- Execute a Program Participation Acknowledgment with MOHCD (or has already executed and delivered an acknowledgment to MOHCD).
- MOHCD may reject third party vendors that do not meet the above criteria.

MOHCD may disapprove of any third-party vendor if such vendor cannot satisfy all these requirements.

Upon written request, MOHCD will provide a list of third-party vendors who have executed a participation agreement with MOHCD and who specialize in the leasing of BMR Rental Units. Upon written request, MOHCD will provide data on lease up activity of third-party vendors for projects regulated by MOHCD.

2. MOHCD Lease Up Monitoring

MOHCD closely monitors all new leasing staff and/or third-party vendors' work product until they have submitted three consecutive correctly calculated income and asset eligibility applicant files. Once this benchmark is reached, the Project Sponsor or third-party vendor shall work independently to income and asset qualify applicants. Leasing staff will be required to use DAHLIA Partners, the City's leasing agent portal that manages and tracks applicant activity for all BMR Rental Units. MOHCD will periodically audit applicant files and monitor the lease up to ensure BMR Rental Units are being leased in a timely manner and that the terms of this Manual are met.

3. Marketing

Project Sponsors may choose to outsource the marketing of their BMR Rental Units. Please refer to Section VI (M)(2) (*Minimum Qualifications for Marketing Firms*) for a list of minimum qualifications for marketing firms.

New BMR Rental Units shall be marketed for a minimum of twenty-one (21) calendar days, and a re-rental of a BMR Rental Unit shall be marketed for a minimum of seven (7) calendar days. The BMR Rental Unit(s) shall at minimum be listed on DAHLIA San Francisco Housing Portal and advertised in local newspapers, online sources and other venues as required by MOHCD. Marketing requirements are further described in Section VI (M) (*Marketing New BMR Units*) of this manual.

4. Lottery Application

Applicants must submit a MOHCD Lottery Application by a specific deadline for each listing advertising BMR Rental Units on DAHLIA San Francisco Housing Portal. Upon written request by an applicant, MOHCD will provide a paper application, which may be submitted to MOHCD's Post Office box, as listed on DAHLIA San Francisco Housing Portal.

All applications submitted by the deadline listed on DAHLIA are entered into a Lottery. MOHCD may allow the use of an existing lottery list if a new vacancy in the same building takes place within 12

months of a previous Lottery and if the vacant BMR Rental Unit has the same maximum rent level and same bedroom count as the previous Lottery.

BMR applicants who want help with an application and providing documents may choose to list someone else to receive communication during the application process. This can be a case manager, family friend or even a local agency that provides language assistance. If an alternative contact is listed on an applicant's housing Lottery Application, Project Sponsors shall include such alternative contact in communication regarding the BMR Rental Unit and the applicant Household, including communications relating to deadlines, requests for more information and application approvals or denials.

Information about the Housing Lottery can be found in the Marketing, Housing Preferences, and Lottery Procedures Manual.

5. Housing Lottery

The Project Sponsor and MOHCD will hold a virtual public Lottery for each new BMR Rental Units and for existing BMR Rental Units that become vacant. Every applicant that submits a complete Lottery Application for a BMR Unit will receive a Lottery number. Applicants do not need to attend the Lottery. While every applicant must meet the City's basic eligibility requirements, some applicants may be eligible for a Lottery preference. The specific preferences available may change from one Project to another. The property listing in DAHLIA San Francisco Housing Portal will indicate which preferences are applicable to each Project and/or BMR Rental Unit. The MOHCD Marketing, Housing Preferences and Lottery Procedures Manual contains detailed procedures for Lottery preference qualifications, application review guidelines, and appeals. After the Lottery, the Project Sponsor will begin contacting applicants in Lottery rank order (including any preferences) by email, text, and telephone until all BMR units are leased. If the applicant has not provided an email address or phone number in their lottery application, the Project Sponsor is required to send the request via first-class USPS, allowing an additional three (3) business days to submit an application and documentation. Project Sponsors will be required to provide a schedule of concessions in the marketing plan to ensure BMR Rental Units are leased promptly.

6. Submission of a Full BMR Rental Program Application

After the Lottery, MOHCD will provide an applicant contact list in Lottery preference rank order to the Project Sponsor or their leasing agent. The leasing staff shall send out an initial email to all applicants in the Lottery ranks containing the first two preferences, and once leasing staff has the capacity to process additional applications, leasing staff shall send out an email to applicants under the third and fourth preferences. The initial email shall consist of, at a minimum, the availability of BMR Units in the Project, the rents, and deadline to respond. Applicants will have five (5) calendar days to reply to the initial email. Applicants who reply shall be asked by the Project Sponsor to submit a complete BMR rental application. Applicants may be assessed for eligibility in any order, but Project Sponsors shall offer BMR Units to applicants in Lottery preference rank order. Applicants who do not reply to the initial email from the Project Sponsor or its leasing agent within the deadline contained in the initial email will be removed from the applicant list.

When a household is contacted and requested to submit a complete application, all Household members who are 18 years or older shall provide the required documents listed below to the Project Sponsor (or its leasing agent) within five (5) business days:

- Most recent federal tax return with all schedules, forms, W2s and 1099s. Tax Transcripts may be accepted for individuals who are not self-employed, have limited deductions and/or income.
- Two (2) current and consecutive pay stubs or if self-employed, a year-to-date P&L statement.
- Two (2) current and consecutive bank or assets statements from all bank or Liquid Asset accounts.

Incomplete applications, or applications with known false, misleading or inaccurate information, will be disqualified from consideration.

MOHCD will monitor the Project Sponsor leasing activity to ensure applicants select BMR Units in Lottery preference rank order and will also monitor that the Program procedures are implemented correctly. MOHCD may audit a Project Sponsor's files and processes relating to the marketing and leasing of the BMR Units.

In most Projects, the number of applicants will exceed the number of available BMR Units. Because Project Sponsors must offer leases to eligible applicants in Lottery preference rank order, a request to provide a full housing application will not always result in a BMR Unit being offered to an applicant if higher-ranking applicants have signed leases for all available BMR Units.

7. Fees for Applying

When requesting a BMR Rental Application from an applicant, Project Sponsors are allowed to charge an application fee to cover the costs of running background checks that have been approved by MOHCD in the Marketing Plan and as listed on DAHLIA. Fees collected from applicants not reviewed shall be refunded within fifteen (15) calendar days of determining that the applicant will not be reviewed for a BMR Rental unit. An application fee shall not exceed $35 per adult.

8. Exhausted Housing Lottery Applicant List

In the event a Project Sponsor exhausts the Lottery Applicant list without filling all vacant BMR Rental Units, the Project Sponsor shall have the option to use the MOHCD First Come, First Served (FCFS) process to lease the remaining vacant BMR Rental Units. The Project Sponsor shall complete a new FCFS Marketing Plan on a template provided by MOHCD prior to commencement of the FCFS process. MOHCD shall review the market-rate rents to ensure the BMR Unit rents are at least twenty percent (20%) below market rate rents and will ensure the FCFS Marketing Plan outlines the Project Sponsor's marketing strategy. Once the FCFS Marketing Plan is approved, the availability of units will be advertised on the MOHCD website. Project Sponsors shall implement the approved FCFS marketing strategy and submit verification of advertisements to MOHCD. Once applications are submitted, the Project Sponsor will be responsible for receiving, logging, and managing applications using DAHLIA Partners and managing a secure link (a link/service that protects shared information from being accessed by unauthorized users) for applicants to digitally submit documents. The MOHCD website will provide

instructions for the applicant and be accompanied by a secure link for application submission. The Project Sponsor or their Leasing Agents shall contact an applicant's alternate contact if one is listed.

9. Re-rental Vacancies

All BMR Rental Units that become vacant shall be filled through an expedited process by Project Sponsors. To begin the process, Project Sponsors shall submit to MOHCD the BMR Renter's Notice to Vacate for the BMR Unit within five (5) calendar days of receipt. Upon receipt of the Notice to Vacate, MOHCD will send the Project Sponsor the Re-Rental Marketing Plan template to list vacant BMR Units on the DAHLIA San Francisco Housing Portal. Project Sponsors shall submit a completed Re-Rental Marketing Plan to MOHCD within seven (7) days of receipt. The following table describes the major steps and approximate processing times that can be expected for most re-rental BMR vacancies. All processing times listed are estimates, and transaction times may vary depending on unique circumstances presented by a particular BMR Rental Unit.

MOHCD Re-rental Timeline	
Steps	**Time Estimate (calendar days)**
Notice to Vacate Project Sponsor receives Notice to Vacate from existing tenant and submits it to MOHCD Upon receipt, MOHCD sends Project Sponsor Re-Rental Marketing Plan template	2 days
Marketing Plan Submission Project Sponsor submits the Re-Rental Marketing Plan to MOHCD (DAHLIA Re-rental Listing Template)	7 days
Marketing Plan Approval MOHCD approves the Re-rental Marketing Plan	14 days
Occupancy Ready Certification Project Sponsor certifies BMR Units are occupancy-ready	1 day
Marketing & Lottery Application Period MOHCD posts the BMR vacancies on DAHLIA (open houses) MOHCD accepts Lottery Applications on DAHLIA	7 days
Lottery MOHCD conducts the Lottery	14 days
Lottery Results Official Lottery Results Posted on DAHLIA	1 day
Project Sponsor Program Activities Leasing Agent determines Program eligibility (income and asset certification)	~7 days
Project Sponsor Leasing Activities Leasing Agent conducts rental history and credit screenings Leasing Agent ensures applicants meet the Resident Selection Criteria Leasing Agent conducts criminal background screenings Applicants sign leases	~35 days
Total Calendar Days	**~90 days**

10. Application Changes after Submission

Applicants are solely responsible for the completeness and accuracy of their applications before submission. Prior to MOHCD's or a Project Sponsor's determination of eligibility, applicants may request a change to their application after submission under the following limited circumstances:

- Removal of a household member in the case of divorce or dissolution of marriage or Domestic Partnership;
- Addition of an applicant's Spouse or Domestic Partner, a newborn child, or a new Household member in the case of a marriage, legal adoption or new legal guardianship (including foster children);
- Update of data relating to income qualifications, such as a new job, salary increase or decrease, or a job that has ended; and/or
- Correction of technical errors, such as current phone number or other non-qualifying information.

Any other changes to an application are subject to MOHCD's approval in its sole discretion. After an applicant's Household eligibility has been determined, changes to an application are not permitted.

11. Rent Subsidies

San Francisco law prevents Project Sponsors from refusing to accept rental subsidies from a tenant, including but not limited to the San Francisco Housing Authority Section 8 Housing Choice Voucher Program. When a BMR Renter uses a rent subsidy, the Project Sponsor must enter into a lease agreement with the BMR Renter that only requires the tenant to be responsible for the Maximum Annual Rent Amount as determined by MOHCD. Project Sponsors must provide MOHCD with a copy of the executed Request for Tenancy Approval ("RTA") form within ten (10) calendar days of lease signing.

12. Required and Optional Fees

Project Sponsors shall inform MOHCD in advance of any additional required fees (including, but not limited to, renters' insurance), that will be required of BMR Renters. MOHCD will evaluate such fees and will allow fees to be charged only if required for all renters in the Project (market-rate and BMR) and only if the fees do not increase the Maximum Annual Rent under the Program. Optional fees or fees for amenities may be allowed outside of the Maximum Annual Rent (including, but not limited to, pet fees).

In addition, MOHCD will evaluate whether any fees for BMR Renters are affordable and not a barrier to enjoying the amenities a Project has to offer. All fees will be notated in a fee schedule for each building that is updated no more than once per year and cannot exceed eight percent (80%) of the comparable market-rate fee. The fee schedule will be reviewed and approved by MOHCD through the Marketing Plan, Resident Selection Criteria, and the Annual Monitoring Report review.

13. Application Approval and Disqualification

When Project Sponsors approve applicants, they must contact the approved Household through email, text, and telephone. If the applicant has not provided an email address or phone number in their Lottery Application, the Project Sponsor is required to send correspondence via first-class USPS, allowing an additional three (3) business days for the applicant to respond. The approval letter will include information on the next steps to be taken in the process of renting a BMR Rental Unit.

Additionally, MOHCD will inform Project Sponsors of applicants on their Lottery list that have met the income and asset qualifications within the past six (6) months from the date of each applicant's BMR Rental Program application for other buildings with BMR Units. The Project Sponsor may choose to proceed in one of three ways:

- Accept an applicant's income eligibility and proceed with determining other remaining eligibility criteria; or
- Accept the income and asset qualification, but verify minimum income with the submission of updated paystubs for all adults over the age of 18; or
- Request new income and asset verification.

Alternatively, applicants may present a current income and asset approval letter (dated within six (6) months) to demonstrate that they have met the income and asset qualifications at another Inclusionary Program building. Project Sponsors must then submit the income and asset approval letter to MOHCD for verification.

When Sponsors s disqualify applicants, they must obtain MOHCD's prior written approval of the disqualification before notifying the applicant. The disqualification letter shall explain the reason(s) for the disqualification and shall provide information on the appeal process. Please see Section V (C)(6) (*Applicant Appeals*) of this Manual for information on appeals.

C. Project Sponsor Resident Selection Criteria

If an applicant Household meets the BMR program qualifications, Project Sponsors may apply their own "Resident Selection Criteria". The Project must adhere to all applicable federal, state and local standards for a "Resident Selection Criteria" and all reasons for applicant denials shall be supported by written documents. Any credit, eviction, or criminal history reviews conducted for prospective BMR Unit renters shall be equally applied to all applicants for the Project, including market-rate applicants. To ensure a Resident Selection Criteria meets the requirements of this Manual and any other City requirements, MOHCD reviews and approves Resident Selection Criteria before a Project is listed on DAHLIA.

1. Inability to Pay Rent

The Project Sponsor may require a minimum income for BMR Renters but must not require any applicant to have a minimum Gross Income of more than 2 times the Maximum Annual Rent. If an applicant is using a rent subsidy such as a Housing Choice Voucher, the minimum Gross Income will be based on the BMR Renter's monthly share of rent rather than the Maximum Annual Rent amount, which will be partially covered by the voucher. For example, if the BMR Unit's rent is $1,200 and an applicant is responsible for a rent payment of $400, then to qualify the applicant must earn a minimum of $800 per month.

2. Credit

The Program has no minimum credit score (a score used to determine the likelihood to repay a loan) or resident score (a score used to determine rental performance) standard. The Project Sponsor may require adult Household members to clear a credit check, but only after the Household has income

qualified. If a Project Sponsor applies a minimum credit score standard above 600 (or its equivalent in the case of other credit scoring models, the Project Sponsor must consider the following mitigating circumstances when selecting applicants:

- An applicant's recent timely payment history 24 months from the date of the application of on-time payments for bills and credit accounts;
- An applicant's timely rent payment history: 24 months from the date of the application of on-time rent payments of equal or greater value to the proposed rent for the BMR rental unit;
- Negative credit history due to outstanding medical or student loan debt or unpaid balances below $2500 should not be taken into consideration; and
- Alternate forms of credit history such as rent payments, insurance, utilities, and childcare paid on time, especially in the case where an individual has no credit, should always be taken into consideration.

3. Eviction History

The Project Sponsor may require adult Household members to clear an eviction history review. Eviction review is limited to the last two years from the date of an application and "No fault" may not be considered as a basis for denial. When a Project Sponsor discovers a previous eviction judgment for non-payment of rent or other lease violations, it must give the applicant an opportunity to present any mitigating circumstances before issuing a denial. Project Sponsors shall consider the following mitigating circumstances:

- Relocation/escape from a domestic violence situation or escaping or evading an abuser.
- Having had insufficient or interrupted income in a non-subsidized residence.
- Successful enrollment in money management or payee services after a non-payment eviction.
- Circumstances that will be unlikely to recur with stabilized housing costs.

4. Criminal History

Project Sponsors must comply with the provisions of San Francisco's Fair Chance Ordinance (San Francisco Police Code Article 49). Among other things, the Fair Chance Ordinance prohibits a Property Owner from considering criminal records that occurred over seven (7) years before the date of review of a BMR Unit rental application. It also requires Property Owners to review income and all other eligibility qualifications before performing a criminal background check. For more information on the Fair Chance Ordinance and applicant rights when it comes to criminal background checks, contact the San Francisco Human Rights Commission.

5. Lease Guarantors, Rent Guarantee Insurance, and Rent Prepayment

If an applicant's income, credit, or rental history does not meet the Project's minimum qualification requirements or "Resident Selection Criteria," the Project Sponsor shall allow the applicant to use a lease guarantor, rent guarantee, or prepayment of rent. While a lease guarantor is not entitled to live in the BMR Rental Unit, they would guarantee that the rent will

be paid by the guarantor if the tenant is not able to pay. Specific clauses of the lease or rental agreement will outline the responsibilities of the lease guarantor and must be approved by MOHCD.

- A Lease guarantor: Lease guarantors are not entitled to live in the BMR Rental Unit, they are merely guaranteeing that the rent will be paid by the guarantor if the tenant is not able to pay. Lease guarantor qualifications and specific clauses of the lease or rental agreement shall outline the responsibilities of the lease guarantor and must be approved by MOHCD during the review of the Marketing Plan and Resident Selection Criteria. If the BMR Unit Renter demonstrates good standing for their rental payment history over the previous 12-month lease period, then upon recertification the Project Sponsor shall not require a guarantor for renewal of the lease.
- Rent Guarantee Insurance: The Project Sponsor may secure rent guarantee insurance for tenants. The fee may be passed through to the tenant but may not exceed five percent (5%) of the maximum rent amount.
- Pre-payment of rent: The Project Sponsor may allow the pre-payment of rent for no more than 12 months. At the end of the pre-payment period, the tenant may choose to either meet the Project's minimum qualification requirements or enter into another pre-payment agreement with the Project Sponsor.

6. Applicant Appeals

If a disqualified applicant believes the disqualification decision was reached in error and has additional information and documentation that could reverse the decision, they can ask for reconsideration. Appeal requests must be made in writing and must clearly state the basis for the applicant's belief that the Project Sponsor made an error in disqualifying the application. To ensure it is received in time, it is best to send an appeal request electronically, but it can also be sent through the US Postal Service. The appeal request must include supporting documentation that corrects the error. Applicants must submit an appeal request to the Project Sponsor within five (5) calendar days from the date of the disqualification letter. The disqualification letter will include the actual deadline for appeal and a link for secure electronic submission of sensitive documents.

MOHCD will work to respond to an appeal for reconsideration within five (5) business days from the date of receipt of the appeal request. Project Sponsors will hold one appropriately sized BMR Rental Unit for the disqualified Household during the five (5) business day appeal period; however, they are not required to hold the applicant's preferred BMR Rental Unit. Once MOHCD makes a decision on an appeal request, that decision is final.

D. Restrictions on BMR Rental Units and Renters

Renting a BMR Unit differs in many ways from renting a market-rate apartment. As a result, applicants are encouraged to fully understand their rights and responsibilities under the Program. BMR Renters will be required to sign an acknowledgment of the restrictions on a BMR Unit under this Manual and all other applicable requirements. Any violation of the restrictions, policies and procedures set forth in this

Manual, and in applicable sections of the Planning Code may result in the Project Sponsor's decision not to renew a lease or commence an eviction. Project Sponsors are responsible for monitoring the compliance of BMR Renters with the Program under residential leases. In the event a Project Sponsor discovers a BMR Renter noncompliance under the Program, Project Sponsors shall exercise any legal remedies under the residential lease to enforce compliance with the Program and ensure the BMR Renter has corrected such noncompliance. Failure to address BMR Renter noncompliance may result in the City declaring the Project Sponsor in violation of the BMR program and commencing an enforcement action resulting in possible penalties under the Planning Code and/or other remedies for the City.

The following requirements apply:

1. Household Occupancy

All members of the Household that applied must move into the BMR Rental Unit within sixty (60) calendar days of the start of the lease and occupy the BMR Unit as their Primary Residence for at least 10 out of 12 months of each calendar year. Adult members of a BMR Renter Household shall not lease any other residential property or sign a lease for any other residential property without the prior written approval of MOHCD in its sole discretion.

2. No Subletting

BMR Renters shall not sublet any part of the BMR Rental Unit to anyone that is not a part of the Household at any time. BMR Rental Units cannot be subleased for long-term or short-term vacation rentals at any time. There is also no renting or subletting of a parking space or any other space provided with the BMR. Any violation of this rule will lead to the termination of the lease and fines enforced by the Planning Department and/or City Attorney's Office.

3. Household Size

BMR Renter Households must maintain a minimum Household size of at least one person per bedroom. Any violation of this rule, including changes in Household size after commencement of the lease term, could result in non-renewal of the lease for a BMR Household.

4. Household Changes

A Project Sponsor must not allow any changes to a lease for a BMR Unit within the first lease year, except in following situations: in the case of death, dissolution of marriage or Domestic Partnership within the Household and only with the written consent of MOHCD and the Project Sponsor. After the first lease year, household changes may be requested and granted at recertification and only with the written consent of MOHCD and the Project Sponsor as long as one member of the original BMR Renter Household remains on the lease for the BMR Unit.

Should MOHCD approve the Household composition change, the new Household must submit a new application for the BMR Rental Unit and meet the current qualification standards. If a Household adds or removes anyone within the first twelve (12) months, the new Household income must be at or below the limit that was applicable at the time the continuing members of the Household initially applied. After the first 12 months, if the Household composition changes, the new Household income must

remain at or below the allowable recertification limits. Moreover, additions to the Household may be subject to a credit and criminal background check when qualifying.

5. Transferring to a New BMR Rental Unit

BMR Renters may apply for other BMR Rental Units by participating in the full application and Lottery process for any available BMR Rental Units listed on DAHLIA but are not given priority to such units. BMR Renters in one building may not transfer to another BMR Rental Unit once they have begun their lease term unless specifically authorized by the Project Sponsor and MOHCD to address compelling circumstances such as death of a Household member, divorce or separation, or mobility accessibility needs of one or more Household members. A BMR Renter will be responsible for any costs associated with an approved transfer. BMR Renters wishing to transfer to another BMR Rental Unit within the same building or within the Project Sponsor' portfolio must submit a Reasonable Accommodation request to the Project Sponsor. The Project Sponsor must then work MOHCD to process the request.

6. Rental Unit Maintenance

BMR Renters are responsible for making sure that their BMR Rental Units are not damaged and for maintaining the unit in compliance with the terms of their lease. Project Sponsors are responsible for maintaining the BMR Unit in the same manner they maintain their market-rate units. For BMR Rental Units that will be re-rented, the Project Sponsor shall provide MOHCD with a virtual tour of the unit and/or a history of the unit's maintenance prior to listing the BMR Unit(s) on DAHLIA. A Project Sponsor shall allow MOHCD to inspect the BMR Unit if such unit is vacant or at the consent of the BMR Renter, provided that MOHCD provides reasonable advance notice.

E. Lease Requirements for BMR Rental Units

1. Unit Selection

Successful applicants have the opportunity to choose among appropriately sized BMR Units in Lottery rank order. For more information on the Unit selection process, see the MOHCD Marketing Housing Preferences and Lottery Procedures Manual.

2. Lease Guidelines and Lease Rider

MOHCD provides residential lease guidelines and a form of a lease rider to be used by the Project Sponsor for each BMR Rental Unit. Each lease shall incorporate the MOHCD lease rider for each BMR Rental Unit. The MOHCD lease rider limits rent increases to once per year after the re-certification and provides information on utilities and fees, as required under this Manual. The Project Sponsor may also include an addendum that details building rules not covered in the standard lease. Project Sponsors shall obtain MOHCD's prior written approval of any form of BMR lease and any addendum to the lease concurrently with the Marketing Plan and Resident Selection Criteria approval process for all initial and re-rentals of BMR Units.

3. BMR Renter Acknowledgement

MOHCD provides a BMR Acknowledgement to be used by the Project Sponsor for each BMR Rental Unit. Each lease shall incorporate the MOHCD BMR Renter Acknowledgement of the restrictions and

recertification procedures that govern the occupancy of the BMR Rental Unit. The BMR Renter Acknowledgement shall be required at the beginning of each tenancy and at annual re-certification.

4. Lease Execution and Commencement

The Project Sponsor allows a BMR Renter a minimum of seven (7) calendar days from the date of the Program approval letter to enter into a lease. That lease should commence no sooner than ten (10) calendar days from the signing unless the BMR Renter prefers to begin the lease sooner. These deadlines will be clearly outlined in the Project Sponsor's approval letter to the BMR Renter Household.

5. Minimum Term and Early Lease Termination

The Project Sponsor shall offer and provide every new BMR Renter a lease with a twelve (12)-month term. After the initial twelve (12)-month lease, the lease shall convert to a month-to-month unless the Project Sponsor signs a new lease with the BMR Renter. Project Sponsors may offer a BMR lease term longer than twelve (12) months with MOHCD's prior written approval. The material terms of the lease shall not change from year to year, except for the Maximum Annual Rent and other changes required or approved by MOHCD. Should a BMR Renter have the need to terminate their lease, the BMR Renter will be responsible for notifying the Project Sponsors in writing of their intentions and will be financially responsible for any fees associated with an early termination. The BMR Renter shall not be required to pay the Project Sponsor for more than 2 months of rent. Additionally, the Project Sponsors may not assess, charge, or collect fees from BMR Renters for any period in which the BMR Unit has been re-rented.

6. Household Members on the Lease

All Household members aged eighteen (18) and older must sign the lease for a BMR Rental Unit. There is no "master leaseholder". In other words, all Household members who appear on the lease have equal status.

The following Household members are not required to sign the lease:

- Legal dependents of leaseholders as claimed on the most recent federal income tax return or minor children of leaseholders. Spouses or Domestic Partners are not considered dependents.
- Household members younger than age twenty-four (24) years old who are the children of a leaseholder who will reside in the BMR Rental Unit as their Primary Residence, regardless of whether they are named as a dependent on the federal tax form or not.
- Recent immigrants who cannot produce a credit score and who are unable to demonstrate alternative forms of credit. To qualify for this exception, a person must provide entrance documentation reflecting that the person has been in the United States for two (2) years or less.

7. Deposit Requirement

Deposits charged to BMR Renters cannot exceed one month's rent and must be in compliance with Local, State, and Federal laws that govern deposits. The following exceptions may apply:

- An additional one (1) month's rent may be charged as a deposit if the BMR Renter has negative or no credit history.
- Project Sponsors that allow pets may charge an additional refundable pet deposit that is reasonable and in line with the same deposit paid by market-rate renters, but in no instance may the pet deposit exceed one month's rent for the BMR Rental Unit. Pet deposits should be refunded, less any documented damage costs attributed to the pet. Project Sponsors may not collect a deposit for documented service animals.

8. Late Payment Fees

Late payment fees may be charged for BMR Renters who fail to pay rent in full by the due date defined in their lease. Under no circumstances can BMR Renters be required to pay late payment fees higher than five percent (5%) of the BMR Rental Unit rent or $100, whichever is lower, in any given month.

9. Third-Party Notice

BMR Renters who want extra help following the requirements of their leases may choose to list someone else to also receive the recertification information or any legal notices from the Project Sponsor. This can be a case manager, family friend or even a local agency that provides language assistance. If a third party is listed on a BMR Renter's Lease Addendum, Project Sponsors must inform BMR Renters who designate a third-party notice that personal information will be shared with the third party. Until notified by a BMR Renter to stop communication to the third party, Project Sponsors must include the third party in all communication regarding the Unit and the BMR Renter Household, including but not limited to lease violations, evictions, and other actions.

F. Monitoring and Recertification of BMR Rental Units

MOHCD requires monitoring of BMR Rental Units and periodic recertification of BMR Renters. MOHCD provides training on the form, contents, and procedures for the monitoring and recertification process. Project Sponsors will be responsible for satisfying the following recertification requirements:

1. Renter Household Recertification

BMR Renters are recertified to determine the continued Program eligibility of the Household, including Household size, occupancy, income, and non-ownership of a housing Unit. Credit and criminal background checks are only allowed at the Household's initial qualification or when there are Household changes as described in Section V (D)(4) (*Household Changes*). Approximately one hundred twenty (120) calendar days before lease expiration or before the annual anniversary of the lease, Project Sponsors must provide BMR Renters the MOHCD BMR recertification application and BMR Acknowledgement; and must collect Household income documentation and other applicable Household information.

Project Sponsors must recertify BMR Renters based on the most recent required tax return filings. The method described in this manual in Section III (B)(2) (Method #2: Calculating Last Year's Income) shall be used to determine a BMR Renter's income and corresponding AMI. If the BMR Renter's tax returns indicate income that exceeds 120% AMI; the Project Sponsor must apply the method for determining income in the entirety of Section III (B)(1) (Method #1: Calculating Current Total Annual Income). BMR Renters who are also San Francisco Housing Authority subsidy recipients and are in good standing with

the requirements of the subsidy program are deemed income eligible for the BMR Rental Unit and will not be required to income re-certify for the BMR program; however, the Project Sponsor will still need to recertify all other BMR program eligibility on an annual basis.

2. Disqualification of the BMR Renter Household at Recertification

A Project Sponsor shall obtain a BMR Renter Household's income documentation and other applicable Household information. Project Sponsors are ultimately responsible for ensuring that all BMR Rental Units are occupied by qualified BMR Renters. BMR Renters who fail to provide the required documentation may be found in violation of this section and will be disqualified from the program by the Project Sponsor. BMR Renters in violation of the program shall have ninety (90) calendar days from the date of the re-certification disqualification letter from the Project Sponsor to remedy the violation. BMR Renters may be disqualified if the violation has not been remedied within ninety (90) calendar days.

3. Allowable Income Increases upon Recertification

Within the first twelve (12) months of occupying a BMR Rental Unit, the income of the BMR Renter Household cannot exceed the income level of the BMR Rental Unit when it was first rented. After the first 12 months of occupying a BMR Rental Unit, the income of the BMR Renter Household can increase up to a maximum 200% of AMI, adjusted for Household size. If upon recertification the Household's income exceeds 200% of AMI, the Household must vacate the Unit within ninety (90) calendar days.

4. Permissible Rent Increases for BMR Rental Units

Project Sponsors that are in compliance with the Program including the recertification of all BMR Renters on the Project are allowed to increase rents for BMR Units no more than once in a twelve (12)-month period. The typical annual rent increase is up to four percent (4%). Between 2008-2017, rent increases averaged 3.2% each year. A Project Sponsor must not increase rent for a BMR Rental Unit more than the most recent year's annual increase in AMI.

Rent adjustments may only occur when a BMR Renter has reached the end of a lease. The Project Sponsor must follow all applicable federal, state, and local laws when increasing rent.

G. Eviction or Non-renewal of Lease for BMR Rental Units

1. Permissible Reasons for an Eviction

Notwithstanding California Civil Code Section 1946.2(e)(9), a Project Sponsor may only evict a BMR Renter for "just cause" as defined under California Civil Code Section 1946(b) or for failure to comply with the Program under this Manual. Any eviction for "no fault just cause" under California Civil Code Section 1946(b)(2)(A) shall require the prior written approval of MOHCD.

2. MOHCD Housing Notice

Concurrently with providing a BMR Renter with a lease violation notice, notice to terminate, notice to pay or quit, or any such notice that jeopardizes the tenancy of the BMR Renter, Project Sponsor must provide BMR Renters with a notice published by MOHCD. This notice shall provide the BMR Renter with resources available to them prior to an eviction.

If a Project Sponsor is seeking to evict a tenant, the eviction process must comply with all applicable Local, State and Federal laws. MOHCD shall not prevent a Project Sponsor from evicting a BMR Renter who has a documented lease violation(s) but will require the Project Sponsor to notify MOHCD five (5) business days before commencing the eviction process.

H. Renovation of BMR Rental Units

Any upgrades or renovations a Project Sponsor makes to the Project or a BMR Rental Unit must be implemented comparably between BMR Units and market-rate units, including services related for relocation during renovations.

VI. PROJECT SPONSOR REQUIREMENTS

Project Sponsors should be aware that other sections in this Manual may apply. Project Sponsors of ownership Projects should review ownership-related sections and Project Sponsors of rental projects should review rental-related sections.

A. Effective Communication

The pool of applicants to City sponsored affordable housing is diverse and multilingual. Lenders, housing counselors, Project Sponsors and their agents shall adhere to the best practices listed below to ensure effective and respectful communication.

- Cultural Sensitivity: Be aware of cultural nuances and sensitivities to avoid unintentional misunderstandings.
- Professional Translation Services: When communicating with a monolingual applicant, use professional translation services to accurately convey your message. If using an automated translation tool like Google Translate, keep in mind that these tools may not capture the nuances or context accurately.
- Keep Communication Clear and Concise: Use simple and clear language to convey your message. Avoid acronyms, jargon or colloquial expressions that may not translate well.
- Actively Listen to Applicants: Listen to the responses and feedback. This demonstrates respect for their perspective and helps avoid misinterpretations.
- Avoid Slang and Humor: Slang and humor can be challenging to translate accurately. Stick to friendly, straightforward language to minimize the risk of confusion or offense.
- Confirm Understanding: Regularly check for understanding by asking. This helps ensure that the message is received as intended.
- Provide Written Documentation: Written documentation can serve as a reference point and aid in comprehension.

B. Reasonable Accommodations

The housing or service provider (including, but not limited to, Project Sponsors, leasing agents, sales agents, and/or property managers) must consider and promptly respond to reasonable accommodation requests from applicants or residents in accordance with all applicable laws. A request for a reasonable accommodation can be submitted at any time during the application process or during the residence, which can be made verbally, in writing, on or a form provided by the housing or service provider. Reasonable accommodations may vary depending on the specific circumstances and needs of the individual with a disability. It is important to note that the requested accommodation must be reasonable and not impose an undue financial and administrative burden, nor require a fundamental change in the nature of the Program or this Manual.

C. Personal Identifying Information (PII)

All responsible parties undertaking the delivery of affordable housing under this Manual must adopt measures and best practices to safeguard confidential personal identifying information. MOHCD partners include but are not limited to affordable housing Project Sponsors, their marketing, sales and leasing staff, representatives, contractors, and vendors as well as lenders, housing counselors, agents, and brokers. Confidential personal

identifying information or "PII" is defined as any non-public information belonging to an applicant, resident, or participant that may put them at risk of damaging their financial standing, privacy, or reputation.

D. Project Sponsor Approval Process

The Program approval process generally proceeds as follows:

- Project Sponsors have thirty (30) calendar days prior to any Project approvals from the Planning Commission or Department, to elect to meet the Program Requirements through one of the alternatives described in subsection (g)(1) of Section 415.5 (each, an "Alternative") or through payment of the Affordable Housing Fee. Project Sponsors work with Planning Department Staff to determine the method of compliance and to complete the "Inclusionary Affordable Housing Program: Affidavit for Compliance", which details the Program requirements applicable to that specific project.
- The Alternative that the Project Sponsor selects will be a condition of project approval. Upon approval of the Project by the Planning Commission or the Planning Department, the Project Sponsor shall record a Use Restriction against the property, which memorializes the Project's specific Program obligations including the alternative the Project Sponsor has selected.
- Commencing six (6) months after approval of a Project by the Planning Commission or Planning Department and every six (6) months thereafter, the Project Sponsor shall submit to MOHCD and the Planning Department a written update consisting of an estimated timeline for the construction of the Project and progress towards completion.
- For projects opting for the On-site option, a second Use Restriction will be recorded to identify which units will be designated as BMR Units. Project Sponsors shall ensure that the Use Restriction reflects the correct designated BMR Units and Tenure of the Project prior to engaging MOHCD in the Pricing and marketing of the BMR Units. If a Use Restriction contains any errors, MOHCD will refer such Use Restriction to the Planning Department for corrections, and the Project Sponsor shall submit corrections to the Use Restriction to the Planning Department and MOHCD for review and approval. If a Project Sponsor fails to make such corrections and/or record a new or amended Use Restriction, MOHCD or the Planning Department may commence enforcement action.
- Project Sponsors must send copies of the Use Restriction to MOHCD and the Planning Department.
- DBI issues additional project approvals, such as building permit or Certificate of Occupancy, for fulfillment of the Affordable Housing Program obligations.

E. Process Timeline for New BMR Units

1. Process Timeline for New Ownership Units

Depending on the number of BMR Units in a building, a Project Sponsor should expect a minimum of eight (8) months from start to closing for the sale of BMR Ownership Units. The following is an estimated process and timeline for Project Sponsors of new BMR Ownership Units.

1st Month
- Project Sponsor Attends Pre-Pricing/Marketing Meeting with MOHCD
- Project Sponsor Submits Pricing Request to MOHCD
- MOHCD Reviews and Approves Pricing Request (15 business days)

2nd Month
- Project Sponsor Submits Marketing Plan to MOHCD
- MOHCD Reviews and Approves Marketing Plan (45 calendar days from submittal to posting)

3-4th month
- Project Sponsor Launches Marketing
- MOHCD Accepts Lottery Applications on DAHLIA (45-day marketing & application period)
- Project Sponsor Conducts Info Session & Open Houses

5th Month
- MOHCD Conducts Lottery (21 calendar days after at the 45-day application period)
- MOHCD Posts Official Lottery Results (7 calendar days after lottery)

6th Month
- Project Sponsor Begins Contacting Applicants in Lottery Preference Rank Order
- Buyer Submits Full Application (5 business days)
- MOHCD Reviews Full Application and Issues Conditional Approval (15 business days)

7th Month
- Project Sponsor and Buyer Execute a Sales Contract (7 calendar days)
- Lender Approves First Loan and Submits Lender Package to MOHCD (21 calendar days)
- MOHCD Reviews Lender Package and Issues Final Approval (15 business days)

8th Month
- Buyer Attends Pre-Closing Meeting with MOHCD Staff
- Buyer and Seller Sign Closing Documents
- Escrow Closes

2. Process Timeline for New Rental Units

Depending on the number of BMR Units in a Project, a Project Sponsor of new BMR Rental Units should expect a minimum of eight (8) months from start to lease signing. The following is an estimated process and timeline for Project Sponsors of new BMR Rental Units.

1st Month

- Porject Sponsor Attends Pre-Pricing Meeting
- Project Sponsor Submits Pricing Request to MOHCD
- MOHCD Reviews and Approves Pricing Request (15 business days)

2nd Month

- Project Sponsor Submits Marketing Plan to MOHCD
- Project Sponsor Attends Pre-Marketing Launch Meeting with MOHCD
- MOHCD Reviews and Approves Marketing Plan (45 calendar days from submittal to posting)

4th month

- Project Sponsor Launches Marketing & Lottery Application Period Opens on DAHLIA (21-day marketing & application period)
- MOHCD Accepts Lottery Applications on DAHLIA
- Project Sponsor Conducts Info Session

5th Month

- MOHCD Conducts Lottery (at the end of 21-days application period)
- Project Sponsor Conducts Open Houses
- MOHCD Posts Official Lottery Results (7 calendar days after lottery)

6-7th Months

- Project Sponsor Begins Contacting Applicants in Lottery Preference Rank Order
- Applicants Begin Submiting BMR Rental Applications
- Project Sponsor Assess Applicant Income and Asset Eligibility
- Project Sponsor Screens for Credit, Rental History & Resident Selection Criteria
- Project Sponsor Screens for Criminal Background

8th Month

- Project Sponsor Approves Applicants
- Applicants Select Units
- Applicants Sign Leases (may take more time depending on Project Sponsor's capacity and the number of vacant units)

F. Requirements for both On-site and Off-site Units

1. Size of BMR Units

Although BMR Units do not need to be the same square footage as market-rate units in the same Project, they must at least meet the following minimum square footages as defined by California Tax Credit Allocation Committee Regulations (May 16, 2017) or the applicable Planning Code requirement, whichever is larger:

Unit Type by Bedroom Count	Minimum Unit Size
Studio unit	300 square feet
1-bedroom unit	450 square feet
2-bedroom unit	700 square feet
3-bedroom unit	900 square feet
4-bedroom unit	1000 square feet

2. Marketing and Lotteries

Project Sponsors shall comply with MOHCD's requirements regarding marketing and lotteries for BMR Units under MOHCD's Marketing, Housing Preferences and Lottery Procedures Manual. In addition, Project Sponsors shall comply with the statutory occupancy preferences under Chapter 47 of San Francisco's Administrative Code and the Pricing guidelines in Section VI (K) (*Pricing New BMR Units*) of this Manual. MOHCD's marketing requirements set forth the minimum marketing that a Project Sponsor must implement for the sale and leasing of BMR Units. Project Sponsors are required to employ the same marketing strategies for their BMR Units that are used for their market-rate units in addition to MOHCD's BMR Unit marketing requirements ensuring the broadest reach to potential eligible applicants.

As part of the Project Sponsor's marketing strategy, MOHCD will require the Project Sponsor to provide a schedule of incentives/concessions. Project Sponsors shall offer applicants concessions that are concurrently offered for market-rate units if a BMR Unit remains vacant for longer than sixty (60) calendar days. Incentives/concessions may include, but are not limited to, free or reduced cost for amenities, added services or utilities at a reduced cost, free months of HOA Dues, price or security deposit reductions (for BMR Ownership Units), free months of rent, and rent or security deposit reductions (for BMR Rental Units).

3. Timing

Project Sponsors shall have BMR Units constructed, completed, and ready for occupancy no later than the market-rate units in the same Project. A Project shall not receive its first certificate of occupancy

until the Project Sponsor submits to MOHCD a complete Marketing Plan (as determined by MOHCD) demonstrating their efforts in fulfilling their Inclusionary Housing obligations.

MOHCD will make every effort to ensure that Projects proceed through the MOHCD procedures in a timely manner while Project Sponsors must make every effort to ensure BMR Units are leased-up or sold at the same rate in proportion to the number of leased or sold market-rate units in their building and avoid unnecessary delays in leasing or sale of BMR Units. Pursuant to Planning Code Section 415.8 (2), Project Sponsors shall not have BMR Units vacant for more than sixty (60) calendar days, including BMR Units that are expected to become vacant (i.e. receipt of a tenant Notice to Vacate), and/or BMR Units that are difficult to lease or sell. Project Sponsors shall notify MOHCD of any vacant BMR Rental Units within five (5) calendar days of receiving a Notice to Vacate from a BMR Renter and such units must be occupancy ready by the Lottery Application deadline.

During the sales or lease up process, Project Sponsors shall provide MOHCD with a monthly report on the sales or leasing progress of all units in the Project (market-rate units and BMR Units) in a format acceptable to MOHCD. The report shall include, but is not limited to, real-time data on the number of market-rate units sold or leased with sales prices, lease amounts, concessions provided, and other pertinent information.

4. New Construction Condo Presale Requirements

Lenders who sell residential mortgages to entities in the secondary market, such as Fannie Mae and Freddie Mac, require that new or newly converted condo Projects have at least fifty percent (50%) of the total units in the Project (or phase) sold or under contract for sale to owner-occupied purchasers. To avoid delays that can arise due to inadequate presales, Project Sponsors shall obtain a final Project Eligibility Review Service (PERS) approval from Fannie Mae. This approval can be obtained for either the entire Project or solely for the BMR units, approved as a single phase.

To ensure that sales and closings occur in a timely manner, MOHCD will verify the Project's condominium approval and presale status, including Fannie Mae approval if applicable, before approving the marketing or reviewing applications of the BMR Ownership Units. If the Project cannot obtain a PERS approval or does not have adequate alternative financing options, MOHCD will not begin reviewing BMR applications until the presale requirements have been met (in accordance with Fannie Mae rules).

5. Program File Audit and Retention Policy (for BMR Rental Units)

MOHCD may audit a Project Sponsor's BMR Unit files, including, but not limited to, initial and recertification application forms and supporting Household income and asset documentation. As such, Project Sponsors of BMR Units shall retain initial and recertification application forms and supporting Household income and asset documentation for no less than five (5) years after a BMR Renter's occupancy of a BMR Unit has ended. Project Sponsors of BMR Units shall also retain application forms and supporting Household income and asset documentation for applicants that do not enter into a lease for all DAHLIA advertised BMR Units for a period ninety (90) calendar days after the last BMR Unit advertised has been leased.

G. Additional Requirements for Developing On-site BMR Units

Sections 415.3 and 415.6 and Zoning Administrator Bulletin No. 10 (ZAB 10) set forth the rules regarding On-site Inclusionary Housing development. Project Sponsors should review those sections carefully (in addition to Section 415's requirements generally) to answer these questions regarding On-site BMR Units:

- Number of BMR Units required (varies by size of Principal Project, type of Project (rental vs. ownership) and Project location).
- Affordability levels of BMR Units.
- How or whether the State Density Bonus applies (see below for more information on this issue).

Section 415.6 also provides important information regarding these elements of On-site development:

1. Equivalency of Units

The Planning Code requires that BMR Units be comparable to market-rate units in the same project. ZAB 10 further describes how the Planning Department will review the selection of BMR Units within a mixed-income development. A Project Sponsor must submit a BMR designation that complies with ZAB 10 to the Planning Department for review. Once the Planning Department confirms compliance with ZAB 10, then the BMR designation will be recorded in the Use Restriction prior to the issuance of an architectural addendum, or the first construction document, whichever is earlier.

2. Exterior Features and Size

BMR Units should be comparable in number of bedrooms, exterior appearance and overall quality of construction to market-rate units in the same project.

3. Interior Features

BMR Units should generally include the same interior features as market-rate units in the same building, but appliances need not be the same make, model or style, so long as they are new and of good quality. BMR Units within the development, excluding managers' units, must include at least cooking facilities, including, at minimum, a stovetop, a sink, and a refrigerator.

4. Location of BMR Units

BMR Units should be evenly distributed throughout the building except for buildings over 120', in which case they should be evenly distributed in the building's lower 2/3rds. For further requirements refer to Planning Department Zoning Administrator Bulletin No. 10, which outlines BMR location requirements including adjacency and comparable access to building and neighborhood amenities, (balconies, views, light, etc.) as well as AMI tier distribution.

5. Comparability Criteria and Standards

The overall construction quality of the Inclusionary Units must be comparable to the market-rate units. While interior features are not required to be identical, they shall be commensurate in material, design, and condition. While the list below provides common examples, this is not exhaustive. Please consult with MOHCD for review and a determination of whether the proposal meets the comparability criteria.

Feature	Comparability Criteria and Standard
Flooring	If wood is installed in a market-rate unit, wood shall be installed in the BMR Unit. Wood shall not be required to be the same material, quality, or design. If carpet flooring is installed in the market-rate unit, carpeting may be installed in the BMR Unit.
Shower/tub covering	If a sliding door is installed in the market-rate unit, a sliding door shall be installed in the BMR Unit. The material, operation, and design need not be identical, but the same general operating features shall be used. Similarly, if a shower rod is installed in a market-rate unit, a rod shall also be installed in the BMR Unit.
Lighting	Lighting features are not required to be identical. However, if recessed lighting is installed in the market-rate units, recessed lighting shall be installed in the BMR Unit.
Appliances	The make, model, or quality of appliances shall be comparable to the market-rate units. The type of appliance, such as a refrigerator, dishwasher, washer, dryer shall be of similar quality as the appliance installed in a market unit.
Window coverings	Curtains, blinds, shutters installed in market-rate units shall be comparable to the windows coverings installed in BMR Units. If window coverings are installed in the market-rate units, they shall also be installed in BMR Units.
Internet Access	BMR Units shall be provided with equal access to internet with comparable Wi-Fi speed to that of market-rate units.

6. Public Subsidies

Project Sponsors shall not use any local, state, or federal public subsidies to fund BMR Units, except for tax-exempt bonds coupled with four percent (4%) low-income housing tax credits, applied in conformance with Section 415.6(i).

7. Local Density Bonus (HOME-SF)

HOME-SF is San Francisco's local density bonus program. In exchange for increased affordability, a HOME-SF Project is entitled to form-based density, certain zoning modifications, and height increases. HOME-SF projects are not required to provide BMR Units at the rates and income levels described in Section 415.6. Instead, a HOME-SF Project must choose one of three tiers to provide between twenty percent (20%) and thirty percent (30%) on-site affordable BMR Units, known as HOME-SF Units, at various income levels. Unless otherwise specified in Section 206.3, HOME-SF Units are subject to the provisions of Section 415 and this Manual. Projects that use HOME-SF are required to enter into a regulatory agreement with the City prior to the issuance of the first construction document.

8. State Density Bonus

On-site BMR Units can be used to qualify for a density bonus under California Government Code Section 65915 (State Density Bonus) or one of the Affordable Housing Bonus Programs contained in Section 206

et seq. Projects that include on-site units to qualify for a density bonus under the State Law may also be able to satisfy all or part of the Affordable Housing Fee requirement, by receiving a credit for the on-site units provided. This credit is calculated in accordance with Planning Code Section 415.5(g)(1)(D), as part of the Combination Alternative requirement. Projects using the State Density Bonus are required to enter into a regulatory agreement with the City prior to the issuance of the first construction document.

H. Additional Requirements for Developing Off-site Units

Sections 415.3 and 415.7 of the Planning Code set forth the rules regarding off-site Inclusionary Housing development. Project Sponsors should review those sections carefully (in addition to Section 415's requirements generally) regarding requirements for off-site BMR Units:

- Number of Off-site BMR Units required (varies by size of Principal Project, type of Project (rental vs. ownership), off-site Project location, and date of completion of Environmental Evaluation application.
- Bedroom count and size of off-site BMR Units.
- Affordability levels of BMR Units.

Section 415.7 also provides important information regarding these elements of off-site development:

1. MOHCD and Planning Pre-Approval

Project Sponsors wishing to develop off-site BMR Units must notify MOHCD and the Planning Department as early as possible, but no less than one hundred twenty (120) calendar days before any required Planning Commission hearing for the Principal Project to allow for sufficient time to confirm that the off-site proposal meets the requirements of the Program. MOHCD and Planning will evaluate the Project Sponsor's off-site proposal's conformance with Section 415.3 and 415.7 prior to seeking any formal Planning Commission approvals.

2. Delivery of BMR Units

Off-site BMR Units must be delivered no later than the market-rate units in the Principal Project, and the Principal Project may not receive its first Certificate of Occupancy (COO) until all off-site BMR Units have received a first Certificate of Occupancy.

3. Public Subsidies

Project Sponsors shall not use any local, state, or federal public subsidies to fund off-site BMR Units, except for tax-exempt bonds coupled with four percent (4%) low-income housing tax credits, applied in conformance with Section 415.7(g).

I. Quality Standards for Inclusionary Housing Units (Off-site)

In addition to the requirements listed above, as required by Section 415.7(d), all off-site Inclusionary Housing must meet the following quality standards:

1. Square Footage

The total square footage of the off-site BMR Units may not be less than the total square footage of market-rate units in the Principal Project, multiplied by the applicable Inclusionary Housing on-site percentage requirement for the Project that applies under Section 415.6.

2. Unit Mix

The mix of bedroom sizes among the BMR Units must be proportional to the bedroom sizes for the market-rate units in the Principal Project.

3. Room Sizes

- No bedroom may be smaller than 100 square feet.
- At least one bedroom in every Unit, except for studios, must be at least 144 square feet.
- The minimum horizontal dimension for any bedroom, excluding alcoves not included in the minimum square foot calculation, shall be 10 feet.
- Primary rooms in studios shall be no less than 165 square feet, excluding any contiguous kitchen area.
- The minimum horizontal dimension for any such primary room, excluding alcoves not included in the minimum square foot calculation, shall be 11 feet.
- No living room shall be smaller than 144 square feet, with a minimum dimension excluding alcoves not included in the minimum square foot calculation, of 11 feet.
- At least one bathroom shall meet ADA size requirements, and all other full bathrooms required by this section must be at least 40 square feet in size.

4. Minimum Required Kitchen Amenities

Each BMR Unit must be generally the same as those of the market-rate units in the Principal Project. This includes comparable (in size, age, and functions) kitchen appliances as well as countertop and floor.

Each BMR Unit must include at least the following kitchen amenities:

- Full-size, four-burner cook top and full-size oven with built-in exhaust hood/microwave oven unit (or an equivalent)
- Full-size sink with electric disposal
- Full-size dishwasher
- Full-size refrigerator/freezer
- Full-size, good quality, upper and lower cabinets with doors
- Comparable countertop surface
- Comparable floor surface
- Appliances that are new (or fully restored and operational vintage) and of good quality in terms of performance, durability and appearance (while not needing to match the appliances installed in the Principal Project)

5. Minimum Required Bath Amenities

- At least one bathroom in each Unit shall have a sink, toilet, and both a shower stall and standard-size tub or a combination tub-shower unit.
- Generally, bathrooms shall include a shower stall, sink, and toilet

6. Closet Requirements

- At least one coat closet, with minimum dimensions of 4'x2'.
- At least one linen closet, with minimum dimensions of 36"x18".
- At least one closet for each bedroom.
- First/master bedroom minimum closet size is 16 square feet, with a minimum depth of 2 feet.
- Additional bedroom minimum closet size is 12 square feet, with a minimum depth of 2 feet

7. Laundry Requirements

- Comparability to the Principal Project's laundry facilities.
- If Principal Project provides in-unit laundry, so must the off-site BMR Units.
- Common laundry rooms on every floor of the Principal Project shall have one full-size washer and one full-size dryer for every four units per floor.
- Common laundry rooms serving the whole building shall have one full-size washer and one full-size dryer for every eight units.
- Laundry machines shall be new and of good quality and durability

8. Zoning Administrator Discretion

The Planning Department, through the Zoning Administrator, may approve variations or exceptions to the off-site Inclusionary Housing Standards described in this section if, the Zoning Administrator determines, in his/her discretion:

- The variation is appropriate given particular conditions applicable to the Principal Project
- A variation is required to preserve the character defining features of historic or older buildings undergoing rehabilitation.
- A substantially superior outcome is achieved for the off-site BMR Units.
- Production of good quality, durable, and industry-standard housing units are still produced that remain generally equivalent to the Principal Project.

In addition, the off-site the Inclusionary Housing Standards are subject to change at the discretion of the Planning Department to allow for market standards or technological changes that affect building elements and design.

J. Compliance Through Land Dedication Under Special Use Districts

Project Sponsors electing to satisfy all or a portion of their Inclusionary Fee obligation or Jobs Housing Linkage Fee obligation through the land dedication option under Section 419.5 of the Planning Code shall adhere to all requirements contained in such section and shall adhere to the following procedures.

1. Initial Planning Department Review of Project

Prior to any Project approvals from the Planning Department or Planning Commission, the Planning Department will require the Project Sponsor to indicate the intent to satisfy the Inclusionary Housing Program requirement partially or completely through land dedication on the Affidavit for Compliance with the applicable program.

The Planning Department will determine compliance with Planning Code Section 419 and will transmit the following information to MOHCD:

- Define the tier and percent requirement of the Project under Section 419;
- Identify whether the Principal Project for which the land dedication is provided applies to a single site or to a collective of sites within a 1-mile radius;
- Confirm that the land dedication requirement meets the required percent of total developable area of the Principal Project [which excludes land already substantially developed, subsequent non-developable uses required in connection with the Project approval (i.e. Open spaces, streets, alleys, walkways, or other public infrastructure), easements and other parts of the land that are not developable;
- Confirm that the percentage of land being dedicated to fully or partially fulfill the Project Sponsor's requirement under the Program accommodates at least the same percent of total potential units to be constructed on the Principal Project;
- Calculate the total number of BMR Units that would have been owed if they were provided as on-site BMR Units on the Principal Project; and
- State whether the dedicated land is in the form of air rights.

The Central SOMA SUD allows a Property Owner to satisfy all or a portion of the Jobs Housing Linkage (JHL) Fee through land dedication. Prior to any Project approvals from the Planning Department or Planning Commission, the Planning Department shall require the Project Sponsor to indicate the intent to satisfy all or part of the JHL Fee requirement through land dedication in their Project Application submittal. The Planner shall transmit this information to MOHCD and shall calculate the total applicable JHL Fee.

2. MOHCD Review and Recommendation

The Project Sponsor must deliver to MOHCD all site information at least one hundred twenty (120) calendar days prior to the scheduled approval hearing by the Planning Commission. MOHCD will issue a denial or conditional approval letter prior to issuance of Project approvals from the Planning Commission or Planning Department and after MOHCD has completed its due diligence review of complete information submitted by the Project Sponsor.

In order to determine whether to issue a letter verifying acceptance, MOHCD will review the proposed land dedication to determine whether it satisfies the following requirements of Section 419.5, among others:

- The dedicated site will result in a total amount of inclusionary units not less than forty (40) units. MOHCD may conditionally approve and accept dedicated sites which result in no less than twenty-five (25) units at its discretion;
- The dedicated site will result in a total amount of units that is equivalent or greater than the minimum percentage of the units that would have been provided on-site at the Principal Project, as required by Table 419.5, had the BMR Units been provided on-site. MOHCD may also accept dedicated sites that represent the equivalent of or greater than the required percentage of units for all units that could be provided on a collective of sites within a one-mile radius, provided the total amount of inclusionary units provided on the dedicated site is equivalent to or greater than the total requirements for all Principal Projects participating in the collective, according to the requirements of Table 419.5;
- The dedicated site is suitable from the perspective of size, configuration, physical characteristics, physical and environmental constraints, access, location, adjacent use, and other relevant planning criteria. The site must allow development of affordable housing that is sound, safe and acceptable;
- The dedicated site includes or will include infrastructure necessary to serve the units, including sewer, utilities, water, light, street access and sidewalks;
- Where applicable, the developer must apply for and pay for environmental review under CEQA of the land dedication and complete any applicable CEQA review prior or simultaneous to approval of the Principal Project;
- The value of the dedicated land is equal to or greater than the value of the Principal Project multiplied by the applicable required land dedication percentage. Value shall be determined by Fair Market Appraisals of the Principal Project and the proposed land dedication submitted by the Project Sponsor and subject to review and approval by MOHCD.

3. Required Materials

For MOHCD to perform this review of the proposed land dedication site, the Project Sponsor must provide the following due diligence documents to MOHCD with respect to the proposed site:

- Preliminary Title Report dated within thirty (30) calendar days of submittal;
- Recent Land/Site Surveys;
- Geotechnical Report;
- Phase I Report;
- Phase II Report if hazardous materials are suspected in the Phase I Report;
- Cost estimate labor and materials related to for mitigation or remediation of any hazardous materials based on prevailing wages;
- Land Use Memo that assesses the conformance of the proposed affordable housing Project at the land dedication site with existing zoning, occupancy and Use Restrictions;
- Fair Market Value Appraisal to be completed to Uniform Standards of Professional Appraisal Practice standards by qualified appraisers holding a California Certified General Appraisal License (issued by the Office of Real Estate Appraisers), preferably with a Member of the

Appraisal Institute member designation (issued by the Appraisal Institute), and with experience valuing similar properties in the Bay Area;

- Infrastructure Study assessing the availability and capacity of infrastructure (sewer, utilities, water, light, street access and sidewalk) available to support the proposed affordable housing project. If adequate infrastructure is not provided, a third-party cost estimate of providing such infrastructure must be provided;
- Density Studies compliant with site's underlying zoning, including one version that assumes Principal Project stated unit mix and size standards and one version that assumes a minimum of twenty-five percent (25%) of the units are 2-bedroom units and twenty-five percent (25%) of the units are 3-bedroom units.
- Cost study for each version of the density study in order to estimate how much it would cost to develop affordable housing according to each density study, taking into account federal prevailing wage labor rates;
- Schedule for delivery of land, including estimated dates for First Construction Document, demolition, lot division, etc.; and
- Intent of developer to deliver vacant site.

Developable units as assumed for the preceding studies should be comparable in size to the Principal Project unit sizes and at no time smaller than the following unit sizes:

- Studios = 350 square feet
- 1-BR = 550 square feet
- 2-BR = 800 square feet
- 3-BR = 1,000 square feet
- 4-BR = 1,250 square feet

Developable projects as assumed for the preceding studies must be able to accommodate the same parking ratio provided by the Principal Project.

4. Approval Letter and Conditions

If MOHCD determines that the site is acceptable in accordance with Code Section 419, MOHCD will issue a formal approval letter. If MOHCD's acceptance of the site is dependent on certain conditions being satisfied prior to the conveyance of the site, MOHCD shall identify such conditions in the letter. At a minimum, MOHCD's acceptance of the site shall always be conditioned on a finding of consistency with the General Plan and approval of the conveyance by the Board of Supervisors and Mayor. Other conditions may include, but shall not be limited to:

- If the proposed land dedication site is found to have any hazardous materials or other environmental damage that requires remediation prior to development of housing units, MOHCD's acceptance of the site shall also be conditioned on the Project Sponsor clearing the site of such hazardous materials to the satisfaction of MOHCD in its sole discretion prior to conveyance to City. Alternatively, if approved by MOHCD, any required environmental remediation may be able to be mitigated after conveyance within a mitigation cost standard

that is determined by MOHCD and borne by the Project Sponsor. If MOHCD agrees to allow environmental remediation work to be done after conveyance, MOHCD's acceptance of the site shall also be conditioned on the Project Sponsor placing sufficient funds (as determined by MOHCD) in an escrow account concurrently with the conveyance to pay for such remediation. Funds shall be released to MOHCD when the environmental remediation costs are incurred.

- If mitigation measures relevant to the land dedication are required as part of the Principal Project's environmental clearance, MOHCD's acceptance of the site shall also be conditioned, when appropriate, on the Project Sponsor completing such measures for the dedicated site concurrently with the Principal Site. If applicable, the Project Sponsor shall be obligated under the Conditions of Approval to satisfy this condition post-conveyance.
- Removal of exceptions to title deemed unacceptable to MOHCD shall be in its sole discretion.
- MOHCD shall not be required to identify all conditions in the letter; failure to reference any conditions in the letter shall not preclude the City from imposing such reasonable conditions after the letter is issued as deemed appropriate by MOHCD in light of any new information discovered after the letter is issued. Notwithstanding the foregoing, no new conditions may be added after the Agreement (as defined below) has been approved by the Board of Supervisors and Mayor and executed by MOHCD.

Should MOHCD issue a formal conditional approval letter, the Project Sponsor will seek entitlement for the Principal Project. Should the Project become entitled, the Board of Supervisors must then approve the land dedication per the standard City land conveyance process by grant deed, unless another method is approved. If approved by the Planning Commission, the Board of Supervisors, and the Mayor, the Project Sponsor must convey the land before issuance of First Construction Document for the Principal Project, with all conditions set forth in the Agreement (as defined below) and the MOHCD conditional approval letter having been met. In certain circumstances, the City may provide for a later conveyance if adequate security is provided to the City by the Project Sponsor.

If MOHCD issues an acceptance letter, MOHCD and Project Sponsor will enter into a purchase and sale agreement in a form prepared by MOHCD (the "Agreement"). The Agreement will state that the sale of the land dedication site will be for $1 and will be subject to all of the conditions precedent as identified by MOHCD. Upon execution of the Agreement by Project Sponsor, MOHCD shall present the Agreement and the proposed conveyance to the Board of Supervisors for approval. Upon approval of the Agreement and approval of the conveyance by the Board of Supervisors and the Mayor, and upon satisfaction or waiver of all of the conditions precedent, the Project Sponsor shall convey the land to MOHCD. Subject to the terms of the Agreement, if any conditions have not been satisfied or waived by the issuance of the First Construction Document for the Project (or such later date as agreed to by the Planning Commission in the Principal Project's condition of approval), regardless of reason, the Project Sponsor shall not be able to use land dedication to satisfy its Inclusionary Housing Program Requirements and must satisfy the requirements of the Program through another means.

K. Pricing New BMR Units

1. Pricing and Maximum Income Levels

Pricing a BMR Unit begins once a Project's Use Restriction is finalized with the Planning Department confirming the number, type, location, and permissible Pricing levels and income limits of purchasers or renters.

Per the Planning Code, the maximum income levels specified in the Use Restriction for the Project are the required income limits for the Pricing and qualifying of BMR Units for the Life of the Project.

MOHCD will conduct regular reviews and make necessary adjustments to Maximum Annual Rents or sales prices to ensure they do not exceed twenty percent (20%) below the market-rate sales prices or rents. For BMR Ownership Units, please refer to Section IV (A)(1) for details.

For BMR Rental Units, the Maximum Annual Rents shall not exceed twenty percent (20%) below the market-rate rents for the building and/or the neighborhood, whichever is lower, per the American Community Survey Neighborhood Profile Boundaries Map. These reviews and adjustments will take place during Pricing, marketing, and leasing stages and before renters finalize their contracts. More specifically, MOHCD's review shall include units that have similar physical characteristics; including, but not limited to, location, room count, gross living area, and style. In cases where fair market rents are unavailable based on the aforementioned map, MOHCD will identify an appropriate data source that offers rent within a one (1) mile radius of the Project. Project sponsors have the option to provide MOHCD with their own market study to support the market-rate rents in their buildings. This study must utilize comparable properties with similar characteristics and amenities, located within a one (1) mile radius of the subject property. In instances where MOHCD's determination of the median market-rate rents varies by more than thirty percent (30%) from the Project Sponsor's market study, MOHCD reserves the right to average the results of both market analyses to establish the Maximum Annual Rents.

2. Maximum Income Chart

BMR Ownership Units are typically priced between 80% and 130% of AMI in accordance with the Planning Code, as amended from time to time. BMR Rental Units are typically priced to be affordable to Households between 55% and 110% of AMI. This means that the sales price or rent is calculated to be affordable to Households at these income levels.

The income chart used for Pricing all BMR Units is the Maximum Income Chart. In some cases, Projects may be subject to a different income chart if prescribed by law that supersedes the requirements of this Manual and/or if a different government agency will regulate the BMR Units as approved by MOHCD. In such event, MOHCD will use the applicable income chart and determine the equivalent income on the Maximum Income Chart. MOHCD will provide a Project Sponsor with a conversion of the applicable income chart and maximum rent/sales price levels to the Maximum Income Chart and Maximum Monthly Rent Chart, as applicable. This is done to provide clear and consistent information both in marketing and for applicants to better determine their income eligibility.

3. Pricing Request Process

Planning Code Section 415.6(g)(2) requires a Project Sponsor to submit a Pricing Request to MOHCD no later than eight (8) months prior to issuance of a Project's first certificate of occupancy. In addition, Project Sponsors shall meet with MOHCD staff no less than thirty (30) calendar days prior to submitting such Pricing Request in preparation for the Pricing and marketing of BMR Ownership or BMR Rental Units. This meeting helps Project Sponsors prepare for the launch of their Projects and ensures compliance with the Program and this Manual.

To receive Pricing for BMR Units, the Project Sponsor shall submit a request for determination of initial sales or rental Pricing on a form provided by MOHCD, together with supporting documents as follows:

- Completed Affordable Housing Plan;
- Planning Motion from the Planning Commission or in the case of smaller projects, the approved building permit application;
- Use Restriction with the Program Conditions of Approval per Section 415 and the final approved floor plans (high resolution copy) designating the BMR Units in the Project;
- A schedule listing the final HOA Dues for each unit in the Project (where the Project contains BMR Ownership Units);
- Property tax report disclosing all special tax and/or assessment districts affecting the units in the Project (where the Project contains BMR Ownership Units);
- The Project's Affidavit of Compliance with the Program;
- State Density Bonus or HOME-SF Regulatory Agreement, if applicable; and
- All other documents listed on the Pricing form.

Once MOHCD receives a Pricing form along with all supporting documents, MOHCD will make a Pricing Determination for BMR Units within fifteen (15) business days. Because interest rates and market rents, as well as other factors, may change, each Pricing Determination is only valid for sixty (60) calendar days.

Project Sponsors or BMR Owners shall begin marketing in the same calendar year the allowable sales price or rental amount or Maximum Annual Rent is established by MOHCD. Once a Project Sponsor or BMR Owner begins marketing, the advertised sales price or rents cannot be adjusted even if a new Maximum Income Chart has been released.

MOHCD determines the allowable sales price or rental amounts for BMR Units based on the target percentage of the AMI and standard assumptions about affordable housing costs.

4. Establishing Initial Rent Levels for BMR Rental Units

MOHCD shall calculate initial rent levels according to the following assumptions:

- A Household that is one person larger than the total number of bedrooms except:
    - Studio units which assume a one-person Household.
    - SRO units which are calculated at 3/4 of the price of a studio.

- Thirty percent (30%) of the monthly income required by the Use Restrictions to pay rent and housing costs, including garbage, water, sewer, gas, electricity, and any mandatory fees.

The Maximum Annual Rent for a BMR Rental Unit is set assuming a Household size and income level that follows Planning Code and HUD rules. The actual Households that qualify for BMR Rental Units might, and usually do, have slightly different incomes or Household sizes. For example, if the maximum rent for a 2-bedroom BMR Unit at 55% of AMI is $1300, any qualified BMR Renter must pay this maximum rent. The rent does not vary by the Household's actual income or size if they are eligible for the BMR Unit.

To calculate the rent for a BMR Rental Unit, MOHCD refers to the Use Restrictions for the BMR Unit. The Use Restrictions state the maximum AMI level for calculating the rent for every BMR Unit within the Project. MOHCD then follows the affordable rent under the Maximum Monthly Rent Chart for the applicable unit size and maximum income restriction. MOHCD's calculation assumes that Household sizes are one person larger than the number of bedrooms in the BMR Unit and that Households pay no more than thirty percent (30%) of the maximum income restriction on rent and utilities. For certain BMR Units that are considered "Single Room Occupancy" and Group Housing units, however, the rent is based on seventy-five percent (75%) the rent of a studio unit.

MOHCD uses three Maximum Annual Rent levels for BMR Rental Units to distinguish between the utilities included in a tenant's monthly rent payment and those utilities the BMR Renter pays directly to the utility provider because the unit is individually metered or sub-metered and the utility provider is able to track individual unit consumption.

Project Sponsors that pay garbage and miscellaneous mandatory fees such as rental insurance, are eligible to charge the Base Rent and the BMR Renter will pay water, sewage, gas and electricity directly to the utility provider. Property Owners that pay garbage, water, sewage, and miscellaneous mandatory fees such as rental insurance, are eligible to charge the Tier 1 rent and the BMR Renter will pay gas and electricity directly to the utility provider. Property Owners that pay garbage, water, sewage, gas, electricity, and miscellaneous mandatory fees such as rental insurance, are eligible to charge the Tier 2 rent and the BMR Renter will not pay for any other utilities.

In the case where a Project Sponsor applies a Ratio Utility Billing System ("RUBS") to all tenants in the building, the Project Sponsor may charge the Base Rent if garbage and miscellaneous mandatory fees; Tier 1 rent if garbage, water, sewage, and miscellaneous mandatory fees; and Tier 2 rent if garbage, water, sewage, gas, electricity, and miscellaneous mandatory fees are included in the RUBS calculation.

Responsible Party for Payment of Utilities	Base Rent	Tier 1 Rent	Tier 2 Rent
▪ Building pays garbage, and miscellaneous mandatory fees; and ▪ BMR Renter pays for their own water, sewage, gas, and electricity directly to the utility provider (i.e. SFPUC, PG&E) because all of utilities are individually metered or sub metered in the BMR Unit(s).	X		
▪ Building pays water, sewage, garbage, and miscellaneous mandatory fees; and ▪ BMR Renter pays gas and electricity directly to the utility provider (i.e. PG&E) because gas and electricity are individually metered, or sub metered in the BMR Unit(s).		X	
▪ Building pays water, sewage, garbage, gas, electricity, miscellaneous mandatory fees; and ▪ BMR Renter pays no utility bills because the utilities are not individually metered, or sub metered in the BMR Unit(s).			X
▪ Building uses a Ratio Utility Billing System (RUBS) for garbage, miscellaneous mandatory fees; and pays the cost of these utilities. ▪ BMR Renter pays their own water, sewage, gas, and electricity directly to the utility provider (i.e. SFPUC, PG&E) because all of utilities are individually metered or sub metered in the BMR Unit(s).	X		
▪ Property Owner uses a Ratio Utility Billing System ("RUBS") for water, sewage, garbage, miscellaneous mandatory fees; and pays the cost of these utilities. ▪ BMR Renter pays gas and electricity directly to the utility provider (i.e. PG&E) because gas and electricity are individually metered, or sub metered in the BMR Unit(s).		X	
▪ Property Owner uses a Ratio Utility Billing System ("RUBS") for water, sewage, garbage, gas, electricity, miscellaneous mandatory fees, and pays the cost of these utilities. ▪ BMR Renter pays gas and electricity directly to the utility provider (i.e. PG&E) because gas and electricity are individually metered, or sub metered in the BMR Unit(s).			X

A Project Sponsor that provides internet connectivity to tenants of the Project shall offer a minimum of 100 Mbps at a cost of no more than $25 per month. As part of the review of Project amenities and/or optional services, MOHCD will evaluate proposed internet packages to be offered to market-rate

tenants and BMR Renters and will ensure BMR Renters are able to access affordable internet connectivity.

5. Pricing BMR Ownership Units

The initial sales price of BMR Ownership Units is calculated according to the following assumptions:

- The income limits specified in Use Restrictions based on the income level for a Household that is one person larger than the total number of bedrooms except:
    - Studio units which assume a one-person Household.
    - SRO units which are calculated at 3/4 of the price of a studio.
- The final HOA Dues for each BMR Unit. HOA Dues will be adjusted for BMR Units with and without parking spaces, if applicable.
- The tax rate as published by the San Francisco Assessor and Recorders Office each calendar year.
- A mortgage interest rate that is the ten (10) year rolling average of 30-years of interest rate data provided by Freddie Mac.
- Total payments of no more than thirty-three percent (33%) of the gross monthly income, including payments for taxes, insurance, homeowner or association's fees, property tax special assessment costs (if any), and related costs.
- A ten percent (10%) down-payment.
- Whether or not Parking is included in the Maximum Purchase Price.

6. Unit Upgrades for BMR Ownership Units

Project Sponsors shall offer upgrades to BMR Units, storage units, and additional amenities, such as a second parking space. BMR buyers may choose to purchase these upgrades provided that:

- BMR buyers shall pay for such optional items separately from the financing of the BMR Unit.
- The cost cannot be added to the resale price of a BMR Unit when the BMR Owner sells.
- If a BMR Owner elects to sell their BMR Unit, any item purchased separately from the financing of the BMR Unit shall be sold separately from the BMR Ownership Unit.
- Any upgrades or separately purchased items are the sole responsibility and cost of the BMR Owner.

Notwithstanding the foregoing, if a BMR buyer will receive down payment assistance funds from the City, a Project Sponsor or BMR Owner (as applicable) shall not offer, and a BMR buyer shall not purchase, any upgrades or additional items described in this section.

L. Parking for BMR Ownership and Rental Units

1. Number of Parking Spaces

Regardless of the total number of residential parking spaces available, including parking spaces with dedicated charging stations, BMR parking spaces must be allocated at the same ratio of BMR Units to market-rate units in the Project overall. The number of parking spaces shall be rounded to the nearest whole number after the application of the parking ratio. A remaining fraction of one-half (0.5) or more

shall be adjusted upward to the next higher whole number of required parking spaces. See the chart below for an example.

	Units	Parking Spaces	Percent of Total
Market Rate	82	49	82%
Below Market Rate	18	11 (rounded up from 10.8)	18%
Total	100	60	100%

2. Parking Selection

The opportunity to purchase or lease a parking space will be offered in Lottery rank order until all required BMR parking spaces are purchased or leased.

3. Price of Parking Spaces

a) Ownership Unit Parking

In Projects where parking for the market-rate units is sold separately, the cost of parking for BMR Units shall be determined by the difference between the maximum income level used to price the BMR Unit and the income level required to qualify for a BMR Unit. However, under no circumstances shall the cost of parking for BMR Units exceed either: i) 10 AMI percentage points above the maximum income level for Pricing as specified in the Use Restriction, or ii) the cost of parking for market-rate units in the Project.

Example:

Max. income level from Use Restrictions	90%
10% AMI above maximum income level	100%
Maximum Allowable BMR Sales Price for 1 bedroom	$340,000 @100% AMI
Maximum Allowable BMR Sales Price for 1 bedroom	$300,000 @90%AMI
Parking Price	$40,000

Project Sponsors must provide proof that they have marketed their market-rate units as having separately priced parking and list two respective sales prices for every housing unit, one price with parking and one price without parking.

If there are remaining parking spaces assigned to BMR Units that are unsold, the Project Sponsor may sell the remaining spaces to a BMR Buyer who wishes to purchase a second parking space outside of the Lottery system, at market-rate price. However, the selling of this second parking space becomes the responsibility of the BMR Owner upon resale and the price

cannot be added to the Maximum Resale Price. Subsequent buyers of the BMR Unit are not required to purchase a second parking space. If no BMR buyer wishes to purchase a second parking space, the Project Sponsor may sell the remaining spaces to market-rate buyers.

b) Leased Parking for BMR Owners

The licenses for BMR parking spaces that are leased must remain exclusively for the use of BMR Owners for the Life of the Project. The Master HOA shall charge BMR Owners for an HOA parking assessment, which shall be no greater than the current market-rate for parking in the Project and may be subject to change from time to time, but not more than once annually. Project Sponsors of Projects with ownership Tenure shall incorporate such requirement in the recorded conditions, covenants, and restrictions of the Project. When initially selling BMR Units, the opportunity to rent one (1) BMR parking license shall be offered in Lottery rank order until all BMR parking licenses are leased. If the demand for parking from BMR Owners exceeds the available BMR parking licenses, the Project Sponsor shall create a waiting list (BMR Parking Waitlist) in Lottery rank order. After initial sale of the BMR Units, the BMR Parking Waitlist shall be maintained by the parking operator/Master HOA. When a BMR owner assigned to a leased parking space sells their unit, if there is a parking license assigned to that unit, it automatically goes into the pool of available BMR parking licenses to be offered to those on the BMR Parking Waitlist. As new BMR Owners purchase a unit, they are not automatically entitled to parking, but rather will be added to the end of the BMR Parking Waitlist. Parking in the available pool of BMR parking licenses will be offered to the next owner on the BMR Parking Waitlist. If applicable, the parking operator/Master HOA will maintain a second waitlist of any BMR Owners requesting a second BMR parking license, the "Supplemental BMR Parking Waitlist." If there are remaining BMR parking licenses and the BMR Parking Waitlist has been exhausted, the parking operator/Master HOA shall have the right to offer the BMR parking licenses to BMR Owners on the Supplemental BMR Parking Waitlist. BMR Owners holding 2 BMR parking licenses shall not be permitted to apply for additional BMR parking licenses.

If there are remaining BMR parking licenses and the BMR Parking Waitlist and Supplemental BMR Parking Waitlist have each been exhausted, the parking operator/Master HOA must obtain written approval from MOHCD before offering the licenses to market-rate owners. If MOHCD approves, the BMR parking space will be permitted to be licensed to a market-rate owner on a month-to-month basis. Any such BMR parking licenses issued to a market-rate owner will be made available to a BMR Owner on the BMR Parking Waitlist or on the Supplemental BMR Parking Waitlist within approximately thirty to forty (35-40) calendar days from the date the request for such BMR parking license is received. The parking operator/Master HOA shall inform a market-rate owner of the rights of any BMR Owner on the BMR Parking Waitlist or on the Supplemental BMR Parking Waitlist.

The Master HOA or the HOA Management Company (if the Master HOA authorizes the HOA Management Company in this capacity) shall establish a system to maintain accurate records and respond to occasional and annual monitoring requests regarding BMR parking licenses from

MOHCD. Upon request, the responsible party (Master HOA or HOA Management Company) shall provide MOHCD with the current inventory, waitlists (the BMR Parking Waitlist and Supplemental BMR Parking Waitlist), and operating costs and fees of the BMR parking licenses.

c) EV Parking for BMR Ownership Units

In projects where Electric Vehicle (EV) parking spaces are offered for purchase by market-rate buyers, the same opportunity for EV parking spaces must also be offered to BMR buyers, following a proportional ratio of EV parking spaces to market-rate units in the Project. MOHCD will use the following methodology to determine the cost of EV parking for BMR Units.

- Differential Cost Calculation: First, calculate the difference between the cost of a market-rate EV parking space and the cost of a market-rate non-EV parking space.
- Cost Ratio Calculation: Second, calculate a cost ratio by dividing the BMR parking price (as explained in Section VI (L)(3)(a) of this Manual) by the market-rate parking price. This ratio reflects the relative cost for BMR parking as compared to market-rate parking.
- EV Parking Price Determination: Third, multiply the established cost ratio (from step 2 above) by the difference in cost between a market-rate EV parking space and a market-rate non-EV parking space.

Example:

Assume:

- Non-EV BMR Parking Price: $40,000
- Non-EV Market-Rate Parking Price: $80,000
- Cost Ratio: $40,000 / $80,000 = 0.5 (50%)

Given:

- Market-Rate EV Parking Price: $90,000
- Difference between Market-Rate EV Parking Price and Market-Rate Non-EV Parking Price: $90,000-$80,000 = $10,000

Calculation:

- BMR EV Charging Station Cost: $10,000 x 50% = $5,000
- BMR EV Parking Price: $40,000 + $5,000 = $5,000

4. BMR Rental Unit Parking

In rental buildings, the BMR parking spaces designated for BMR Units must remain exclusively for the use of BMR Renters for the Life of the Project. When leasing BMR Units, Project Sponsors must create a Parking Waitlist consisting of the BMR Households that were not granted a parking space, in Lottery rank order. All parking spaces reserved for BMR Renters must be offered to the next Household on the Parking Waitlist when a BMR Renter moves out. As new BMR Renters move into the building, they must be added to the end of the Parking Waitlist.

Project Sponsors shall charge one of three maximum monthly parking rental rates to new BMR Renters based on the designated maximum income level for a specified BMR Rental Unit in the Use Restriction as follows:

(1) for BMR Rental Units designated at or below 55% AMI, the lesser of $100 per month or 80% of the Project's average monthly parking rate for a market-rate parking space;

(2) for BMR Rental Units designated between 56% and 80% AMI, the lesser of $175 or 80% of the Project's average monthly parking rate for a market-rate parking space; and

(3) for BMR Rental Units designated above 80% AMI, the lesser of $250 or 80% of the Project's average monthly parking rate for a market-rate parking space.

In addition, the parking rate for SRO BMR Rental Units cannot exceed the lesser of seventy-five percent (75%) of the maximum parking rate of a studio unit, or eighty percent (80%) of the Project's average monthly parking rate for a market-rate parking space, whichever is less. The chart below provides an example of the initial maximum monthly parking rates assuming a Project's average monthly parking rate for a market-rate parking space is $350.

Monthly Parking Rates	**SRO**	**STUDIO**	**1BR**	**2BR**	**3BR**
Units at or below 55% AMI	$75	$100	$100	$100	$100
Units between 56% and 80% AMI	$131	$175	$175	$175	$175
Units above 80% AMI	$188	$250	$250	$250	$250

If a Property Sponsor is in compliance with the recertification for all BMR Renters of the Project and with written approval from MOHCD, the Project Sponsor may increase the monthly parking rate to an existing BMR Renter no more than two percent (2%) in a 12-month period.

If there are remaining parking spaces assigned to BMR rental Units, Project Sponsors must receive written approval from MOHCD to lease the remaining spaces at market-rate on a month-to-month basis until a Parking Waitlist Household requests a parking space originally restricted to BMR Units. Should a tenant from the Parking Waitlist express interest in renting a space designated BMR parking space that has been leased to a non-BMR tenant, the Project Sponsor shall make a parking space available within forty-five (45) calendar days of the request.

EV Parking for BMR Rental Units

In projects where Electric Vehicle (EV) parking spaces are offered for rent by market-rate tenants, the same opportunity to rent an EV parking space must also be offered to BMR Renters following a proportional ratio of EV parking spaces to market-rate units in the Project. If no BMR Renters choose to rent an EV parking space, the parking space may be offered to a market-rate tenant on a temporary/monthly basis. Should a BMR Renter from the BMR Parking Waitlist express interest in renting a space designated BMR parking space that has been leased to a market-rate tenant, the Project Sponsor shall make a parking space available within forty-five (45) calendar days of the request. The following methodology is used to determine the cost of EV parking for BMR Units:

A $50 premium may be added to the above BMR monthly parking rates for a residential EV parking space with a dedicated charging station that is not individually metered. If the residential EV parking space is individually metered and is equipped with a payment station, the BMR Renter will be required to pay per use.

5. Bike Parking

If bike parking spaces are assigned to occupants of the buildings, BMR Units shall also be allocated bike parking spaces at the same ratio as market-rate units in the Project, consistent with the allocation of vehicle parking spaces. BMR Ownership and Rental Units that are initially sold or rented with a designated bike parking space must be resold or re-rented with bike parking spaces included at no additional cost.

M. Marketing New BMR Units

1. Goal of Marketing and Outreach Requirements

The overall goal of MOHCD in its marketing and outreach requirements is to ensure that the diverse groups of people living in San Francisco have knowledge of and access to the affordable housing opportunities offered through the Program. Project Sponsors are required to conduct various activities and use every good faith effort to engage in targeted outreach that attracts income Qualified Households from communities that have been historically disenfranchised from City sponsored housing. This includes, without limitation, members of the following racial, ethnic, gender or otherwise underserved through current market-rate housing:

- African Americans
- Latinos
- Asians – defined as persons of Chinese, Japanese, Korean, Pacific Islander, Samoan, Filipino, Southeast Asian or Asian Indian origin
- Native Americans
- Women
- Lesbian, Gay, Bi-Sexual and Transgender (LGBT) Individuals
- Families with dependents
- People with a physical or mental impairment that substantially limits one or more major life activities or is regarded as having such an impairment
- Seniors – defined as persons over the age of 62 years

Marketing of BMR Units must be in compliance with all applicable federal, state and local laws related to Fair Housing laws and must not have the effect of excluding or discriminating against any person on the basis of race, religion, national origin, sex, sexual orientation, health status, source of income such as disability insurance, social security, TANF, or any other basis prohibited by federal, state or local law.

It is the Project Sponsor's responsibility to ensure that all sales or rental staff of the Project receive and review a copy of this Manual and the Restrictions applicable to the BMR Unit.

2. Minimum Qualifications for Marketing Firms

When selecting a marketing firm for new BMR Units, Project Sponsors must require all of the following minimum qualifications:

- Documented experience in marketing to and working with low, moderate-income, and middle-income First-Time Homebuyers and renters;
- Language capacity in all City official languages (Spanish, Chinese, Filipino, English);
- Cultural sensitivity and demonstrated awareness of the needs of San Francisco's diverse populations;
- Experience with Microsoft Office and similar technology; and
- Demonstrated staffing capacity to complete all requirements set forth in the Marketing Plan.

3. Marketing Timeline

Project Sponsors cannot submit a marketing plan before MOHCD Pricing approval. The Marketing Plan cannot be submitted prior to seven (7) months before the estimated issuance of the Temporary Certificate of Occupancy (TCO). Project Sponsors must prepare and submit for approval a Marketing Plan in a format prescribed by MOHCD. No applications, marketing or advertising material can be distributed or published without prior written approval by MOHCD.

The following timelines are recommended to Project Sponsors for completion of MOHCD marketing and outreach activities:

- Ownership: New BMR Ownership Units must be advertised, and applicants must have an opportunity to apply for at least forty-five (45) calendar days prior to the application deadline.
- Rental: New BMR Rental Units must be advertised by the Project Sponsor for at least twenty-one (21) calendar days prior to an application deadline, while re-rental BMR Units must be advertised by the Project Sponsor for at seven (7) calendar days prior to an application deadline.

See the Housing Preference and Lottery Procedures Manual for more information on Lottery timelines.

4. Marketing Meetings and Trainings

In preparation of lease up and sales, Project Sponsors and/or their leasing agents are required to attend a series of Marketing and Outreach in-person and virtual meetings/trainings with MOHCD staff. These include:

a) Pre-Marketing Meeting

This meeting with Project Sponsors is to discuss the overall marketing expectations, actual timelines, process, roles and responsibilities for a successful, timely lease up and sales process. The Pre-Marketing meeting occurs after Pricing is finalized and prior to submitting a Marketing and Outreach Plan to MOHCD.

b) Marketing and Outreach

After the Marketing and Outreach Plan has been submitted and before final approval, this meeting of the sales/leasing agent and MOHCD staff is used to finalize any outstanding issues within the Plan.

c) DAHLIA Training

This training is for First Time leasing and sales agents using the DAHLIA Salesforce system.

d) MOHCD Marketing Plan Audit

Prior to the Lottery, Project Sponsors will be required to provide proof of marketing and outreach activities, including but not limited to photographs of building signage, copies of BMR advertisements, social media marketing efforts, outreach to residents of immediate neighborhood, and any other activities outlined in the marketing plan. Additionally, MOHCD staff may arrange a site visit with Project Sponsors to ensure that the amenities, finishes, and construction of the BMR Units meet the standards comparable to market-rate units in the Project. Please refer to Section VI (G) (*Comparability Criteria and Standards*) for more details. Any discrepancies identified during the site visit must be addressed no later than the Lottery deadline. The City will take any remedies available to address unresolved discrepancies.

e) Pre-Lottery Meeting

The purpose of the pre-Lottery meeting is to discuss the logistics of the public Lottery and the roles of the sales/leasing agent and MOHCD staff in attendance.

f) Pre-Lease Up Training for Rental Projects

This training for leasing agents is to learn how to use MOHCD income calculation tools and how to use DAHLIA Partners during lease up.

5. Advertising and Community Outreach

The Project Sponsor must conduct community outreach to the surrounding neighborhoods including outreach through identified local nonprofit community-based organizations. Community Outreach activities must target diverse Households who could be eligible for the BMR Units, including, but not limited to Households from communities that have been historically disenfranchised.

a) Print, Electronic Newspapers, Social Media, and Internet Presence

BMR Rental Units and BMR Ownership Units must be advertised in at least 5 local newspapers that reach diverse low, moderate, and middle-income communities in San Francisco for a continuous period of at least the first 2-3 weeks of the required marketing period; and announced on at least 3 social media outlets like Facebook, Twitter, Next Door, Craig's List, throughout the marketing period. For First Come, First Served opportunities, Project Sponsors shall advertise their vacancies more frequently to ensure constant visibility.

b) Physical and Electronic Flyers

Project Sponsor must provide a flyer for the BMR Units that includes specific information (and in the required languages) prescribed and approved by MOHCD prior to distribution.

c) Open Houses

In addition to providing virtual tours, potential buyers and renters of BMR Units must be allowed to inspect the available units in the same fashion as market-rate applicants. Project Sponsors must hold at least 3 open houses during the marketing period. At least one open house should be held on a weekday evening and one on a weekend. Each open house should be no shorter than 2 hours and provide information on the application process.

d) Information Sessions

Projects with ten (10) or more BMR Units may be required to hold at least 1 information session. Project Sponsors offering larger quantities of BMR Units may be required, at MOHCD's discretion, to hold additional information sessions in a public, accessible location that is arranged and paid for by the Project Sponsor.

e) Building Signage

Project Sponsors shall prominently display MOHCD prescribed and approved signage on the construction site of any Project that will include on-site or off-site BMR Units. The signage should be no smaller than 5' by 5' and indicate the number and type (Tenure) of BMR Units in the Project and include a web address and/or telephone number for interested applicants to learn more.

f) Certificate of Preference Outreach

Please see the Housing Preference and Lottery Procedures Manual for details on the required targeted outreach to Households previously displaced by government action in the 1960's and 70's. Project Sponsors must pay for a mailing to Certificate of Preference ("COP") Holders to announce new BMR Unit offerings.

6. Fair Chance Ordinance

For BMR Rental Units, Project Sponsors must comply with the provisions of San Francisco Police Code Article 49 (the Fair Chance Ordinance) which sets forth activities and requirements that must be met when leasing City sponsored affordable housing. For more information about the Fair Chance Ordinance, contact the San Francisco Human Rights Commission.

7. Marketing Plan Content

The Marketing and Outreach Plan Template provided by MOHCD will guide Project Sponsors through the marketing plan submittal process. The Marketing and Outreach Plan Template is meant to be used to meet minimal marketing and outreach standards. Project Sponsors should be prepared to apply additional marketing strategies depending on the AMI level being served, other market conditions, and other building and unit characteristics. In preparation, Project Sponsors should plan to provide MOHCD with the following information as part of the marketing plan submittal:

- Marketing Launch, Open Houses, Information Session(s), Application Deadline, Lottery Dates.
- A strategy for marketing to residents of the immediate neighborhood.

- A comprehensive strategy for reaching out to diverse Low, Moderate, and Middle-income communities in San Francisco including the names of local community-based organizations with contact information for the individual representing the organization that will be engaged in the outreach effort.
- A social and print media plan.
- Marketing flyers and COP postcards that include a description of the BMR Units in the Project, Maximum Income Limits, and all important dates.
- Listing of BMR Ownership Units with the San Francisco Multiple Listing Service (MLS).
- A comprehensive plan for how the Project Sponsor and their agents will ensure that every applicant's language and/or cultural needs are met throughout the application, sales/lease up process.
- A written Resident Selection Criteria for all rental Projects that include BMR Rental Units.
- A list of community housing organizations that will receive written notification regarding the availability of the BMR Units prior to commencement of advertising or marketing of the market-rate units.
- A list of organizations that the Project Sponsor or the Project Sponsor's marketing representative must work with to meet language or cultural needs of historically disenfranchised communities.
- A plan for obtaining and displaying the banner to be hung on-site during construction announcing the development of BMR Units.
- A schedule of concessions and move-in incentives to ensure BMR Units are sold or leased within sixty (60) calendar days.
- A link to DAHLIA on the Project's website.

The MOHCD Marketing, Housing Preferences and Lottery Procedures Manual contains detailed procedures for application tracking, Lottery preference qualifications, application review guidelines, appeals and unit selection.

N. Tenure Conversion of BMR Rental and Ownership Units

1. Conversion Procedures after Marketing and Prior to Occupancy

Project Sponsors may elect to change the Tenure of their Project after marketing their BMR Units on DAHLIA.

Following the marketing and prior to occupancy, if a Project Sponsor desires to change the Tenure of the Project approved by the Planning Department (or Planning Commission if applicable), the Project Sponsor shall provide written notice to the Planning Department and receive approval from the Planning Commission. A Project Sponsor is encouraged to make all efforts to thoroughly evaluate the intended Tenure of a Project prior to commencing the marketing phase.

a) Conversion Procedures for Rental to Ownership

To change a Project's Tenure from rental to ownership after marketing and prior to occupancy, Project Sponsors shall comply with the following:

a. **Submission of Application for Planning Department Review:** An application must be submitted to the Planning Department, requesting to convert the Project's Tenure from rental to ownership. Following receipt of the application, the Planning Department will schedule a Planning Commission hearing to evaluate the request.
b. **Planning Commission Determination:** If the request is approved by the Planning Commission, MOHCD will issue an official Pricing Letter for the BMR Units. The Pricing of these units will adhere to the designated AMI level for a rental Project. Applicants will have a minimum of one year from the issuance date of a Notice of Option to Purchase (as described in subsection f below) to complete the steps necessary to qualify to purchase and enter into a sales contract.
c. **Application Support:** The Project Sponsor shall designate a third party to work in collaboration with the sales team and consultation with MOHCD to provide information, answer questions, and provide guidance to all applicants throughout the purchase process. Additionally, the Project Sponsor or their representative shall engage HUD-approved housing counseling agencies to help applicants and participate in an information session to provide detailed information and resources for qualifying to purchase a BMR Unit. All written materials and agendas for the information session require prior written approval from MOHCD. Prior to contacting applicants, the Project Sponsor shall submit a draft of the Notice of Option to Purchase for MOHCD's approval. The Notice of Option to Purchase will invite all applicants to an information session detailing the Planning Commission hearing outcome, information about BMR ownership prices, and next steps for applicants to purchase a BMR Unit.
d. **Applicant Option:** If a Project Sponsor has accepted applications from BMR applicants, eligible applicants will have the option to purchase the BMR Rental Unit for which they applied.
e. **Adherence to BMR Ownership Program Requirements:** BMR applicants and Project Sponsors must adhere to all of the eligibility requirements for the BMR Ownership Program as described in this Manual.
f. **Notice of Option to Purchase:** The Project Sponsor shall complete a Notice of Option to Purchase in a form provided by MOHCD. This Notice of Option to Purchase serves as the official start of the one-year timeframe during which applicants must complete the steps necessary to enter into a contract. Following approval from MOHCD, the Project Sponsor shall send this Notice of Option to Purchase to all applicants via United States Postal Service and email. Applicants will have fourteen (14) calendar days from the date on the notice to express interest in pursuing the purchase of a BMR Unit and ninety (90) calendar days (or less) to complete the steps for submission of a full application to MOHCD for eligibility determination.
g. **Application Review:** Applications from those who expressed their interest within fourteen (14) calendar days and submitted a full application within ninety (90) calendar days will be processed based on Lottery rank order. Submissions after the initial ninety (90) calendar day period will be reviewed on a first-come, first-served basis unless insufficient time remains to complete the steps necessary to enter into a contract.

h. **Conditional Approval and Contract Ratification:** If an applicant has been determined to be eligible to purchase a BMR Unit, such applicant will receive a conditional approval letter from MOHCD and ratify a sales contract as detailed in Section IV (B) of this Manual.

i. **BMR Units after One-Year Period:** If a Project Sponsor is unable to execute contracts for any BMR Units after the one-year timeframe, MOHCD will issue a revised Pricing Letter for the remaining BMR Units. The new Pricing will be set at the AMI level designated for an ownership Project at the time the Project's first Use Restriction was recorded. The Project Sponsor shall execute and record a revised Use Restriction provided by the Planning Department to reflect the new AMI levels for all BMR Ownership Units before closing the sales. These units will be priced and marketed as new sale BMR Ownership Units in accordance with Section VI (K) (*Pricing New BMR Units*) and Section VI (M) (*Marketing New BMR Units*).

b) Conversion Procedures for Ownership to Rental

If a Project Sponsor desires to change the Tenure of their Project from ownership to rental prior to occupancy, they must notify the Planning Department and MOHCD prior to seeking Planning Commission approval. MOHCD will pause application acceptance and/or review until the Planning Commission approval is determined.

To change a Project's Tenure from ownership to rental after marketing and prior to occupancy, Project Sponsors shall comply with the following:

a. **Submission of Application for Planning Department Review**: An application must be submitted to the Planning Department, requesting to convert the Project's Tenure from ownership to rental. Following receipt of the application, the Planning Department will schedule a Planning Commission hearing to evaluate the request.

b. **Planning Commission Determination:** If the Planning Commission approves the change in Tenure, the Project Sponsor shall execute and record a new Use Restriction provided by the Planning Department reflecting the new Tenure and AMI levels. Once recorded, MOHCD will issue an official Pricing Letter for the BMR Units. The Pricing of these units will adhere to the designated AMI level for a Rental Project.

c. **Adherence to BMR Rental Program Requirements:** BMR applicants and Project Sponsors must adhere to all of the eligibility requirements for the BMR Rental Program as described in this Manual.

d. **Notification to Applicants**: The Project Sponsor shall submit a draft written notice to applicants/buyers for MOHCD's prior written approval. The notice will inform applicants of the change in Tenure and provide details on the next steps. Additionally, it will offer an estimated timeline of when application review will resume.

e. **Applicant Review:** All applicants shall be notified of the availability of BMR Rental Units, and income eligible applicant Households shall be considered in Lottery rank order prior to the Project Sponsor marketing as a rental building. Once the Project Sponsor has exhausted the ownership applicant list, the Project Sponsor shall follow the procedures outlined in Section V (*Below Market Rate (BMR) Rental Program*) of this Manual.

f. **Marketing and Outreach Plan:** If any BMR Units remain, the Project Sponsor shall follow the MOHCD marketing procedures to offer the remaining units, including submitting a new Marketing Plan for MOHCD's approval.

Additionally, the Project Sponsor shall reimburse in full BMR applicants/buyers under contract to purchase BMR Units for their earnest money deposit and all other paid third-party expenses and/or fees incurred, including, but not limited to, appraisals, application fees, property inspections, and rate lock fees.

2. Conversion of Occupied BMR Rental Units to Ownership

a) Conversion Procedures

If an occupied rental Project receives approval of an application from the Planning Commission requesting a change in Tenure from rental to ownership, Project Sponsors shall offer the opportunity to purchase the BMR Unit to the existing BMR Renter Household before it is marketed for sale through the MOHCD Lottery process. Along with the rules set forth in the Section 415.8 (b)(5), the following conditions apply:

- **Notification to BMR Tenants:** The Project Sponsor shall provide initial notification to existing BMR Renters of their intent to convert the Tenure of the BMR Units(s) no later than the date of the Project Sponsor's Discretionary Review Application submission to the Planning Commission.
- **BMR Unit Condition:** The BMR Unit must be in good physical condition as evidenced by a home inspection paid for by the Project Sponsor and performed by a state-licensed and independent third party. The inspection should identify and describe physical deficiencies that could affect the health and safety, soundness, or structural integrity of the unit or inhabitants. All reported deficiencies that pose health and safety hazard or are the direct result of deferred maintenance, must be corrected by the Project Sponsor prior to final approval of the conversion.
- **Adherence to BMR Ownership Program Requirements:** BMR applicants and Project Sponsors shall adhere to all the eligibility requirements for the BMR Ownership Program as described in this Manual.
- **Right to Purchase:** Existing BMR Renters have at least one year from the time of official notice from the Project Sponsor to exercise the right to purchase. The existing BMR Renter Household shall be a Qualified Household under the Program, and the gross annual Household income of the BMR Renter at the time of purchase shall not exceed the Income level designated in the Use Restriction.
- **BMR Unit Sales Price:** The sales price for existing BMR Renters will be either at the level of affordability for the unit as a BMR Rental Unit as specified in the Use Restriction or Conditions of Approval for the BMR Rental Unit or affordable to the actual income level of the current BMR Renter Household, whichever is higher, with a maximum allowable qualifying income level up to 120% of AMI in accordance with Planning Code Section Unit.415.8(b)(5). If the unit is not sold to the existing BMR Renter, the sales price will correspond to the affordability level required for a BMR Ownership Unit under the Use Restriction or conditions of approval.

b) Sale to Other Qualified BMR Applicant

If the existing BMR Renter decides not to purchase the BMR Unit, it will be priced at the level of affordability dictated by the Use Restrictions and according to MOHCD's BMR sales Pricing rules. The Project Sponsor must also ensure that the BMR Unit meets the physical conditions required by this Manual and must adhere to MOHCD's marketing requirements including a MOHCD Lottery. The prospective purchaser must meet all the requirements of a BMR Unit applicant described in this Manual.

c) Relocation Allowance

If the existing BMR Renter decides not to purchase the BMR Unit, the Project Sponsor shall provide a relocation allowance to the current BMR Renter that complies with relocation allowances required under the San Francisco Rent Ordinance (see Administrative Code).

VII. CHANGES IN PROPERTY MANAGEMENT OR OWNERSHIP OF BMR UNITS

If a Project Sponsor enters into a contract to sell a Project that contains BMR Units to a new owner, the Project Sponsor shall notify MOHCD in writing of their intent to sell Project. The Project Sponsor shall disclose all Program requirements to the buyer, including, but not limited to, the Use Restrictions and a copy of this Manual. Within five (5) business days of the completion of an ownership Transfer, the new Project Sponsor shall provide the new Project Sponsor's name, property management, contact information, and if available, the new personnel involved in the management of the BMR Units. Additionally, the Project Sponsor must notify MOHCD and BMR Renters of any changes in property management for buildings containing BMR Rental Units.

VIII. OTHER PROGRAMS AND UNITS GOVERNED BY THIS MANUAL

A. Density Bonus Programs

1. State Density Bonus

On-site BMR Units can be used to qualify for a density bonus under California Government Code Section 65915 (State Density Bonus) or one of the Affordable Housing Bonus Programs contained in Section 206 et seq. Project Sponsors who receive additional density under the State Density Bonus must pay the Affordable Housing Fee on the additional units or square footage authorized under the State Density Bonus program, as specified in Section 415.5(g)(1)(D).

Project Sponsors utilizing the State Density Bonus Program, SB423 Program, or other applicable State housing laws shall execute and record a Regulatory Agreement with the Planning Department, which specifically addresses requirements related to BMR Units subject to both State affordable housing requirements and the Inclusionary Affordable Housing Program.

2. SB 423

Project Sponsors utilizing SB 423 must record a Regulatory Agreement with the Planning Department, which specifically addresses requirements related to the Project's BMR Units. It is allowable for BMR Units required under SB 423 to also satisfy the required BMR Units under the Inclusionary Affordable Housing Program.

3. Home SF

In certain neighborhoods and under certain building conditions, Project Sponsors may opt to participate in San Francisco's HOME SF program, a local density bonus program, codified in Section 206.3. Project Sponsors must be compliant with the requirements of Section 415.6 regarding on-site BMR Units, except that the required affordable sales price or rents, percentage of affordable units, and unit amenities are specified in Section 206.3, as follows:

- Tier One (fewer than 25 units)
    - On-site affordability requirement: 20%
    - Ownership: 10% at 80% AMI; 5% at 105% AMI; 5% at 130% AMI
    - Rental: 10% at 55% AMI, 5% at 80% AMI; 5% at 110 AMI%
- Tier One (25 or more units)
    - On-site affordability requirement: 23%
    - Ownership: 10% at 80% AMI; 8% at 105% AMI; 5% at 130% AMI
    - Rental: 10% at 55% AMI, 8% at 80% AMI; 5% at 110 AMI%
- Tier Two (all projects)
    - On-site affordability requirement: 25%
    - Ownership: 10% at 80% AMI; 8% at 105% AMI; 7% at 130% AMI
    - Rental 10% at 55% AMI; 8% at 80% AMI; 7% at 110% AMI
- Tier Three (all projects)
    - On-site affordability requirement: 30%

- Ownership: 10% at 80% AMI; 10% at 105% AMI; 10% at 130% AMI
- Rental: 10% at 55% AMI; 10% at 80% AMI; 10% at 110% AMI

- Notwithstanding other Planning Code requirements regarding HOME SF unit Pricing, all HOME SF units must be priced at least twenty percent (20%) below the market-rate rents or sales prices for that unit size and neighborhood according to the procedures described in this Manual.
- MOHCD will use generally available third-party market data to determine market-rate rents and sales prices. In cases where such readily available data is not determinative or the HOME SF unit Pricing is close to or exceeds the specified cap of twenty percent (20%) below market, MOHCD may require the Project Sponsor to conduct a market survey to demonstrate appropriate Pricing. Such surveys must be conducted by a third party, independent real estate market analysts, and MOHCD reserves the right to reject market studies that are not procured from independent parties.
- HOME SF projects must provide a minimum dwelling unit mix of (A) at least forty percent (40%) two (2)- and three (3)-bedroom units, including at least ten percent (10%) three (3)-bedroom units, or (B) any unit mix which includes some three-bedroom or larger units such that fifty percent (50%) of all bedrooms within the HOME-SF Project are provided in units with more than one (1) bedroom.
- HOME SF developments should incorporate family-friendly amenities, such as open space and rear yards designed for children, stroller storage space, and bathtubs.

B. TCAC and CDLAC Programs

1. Dually Restricted Buildings/Units

If a Project will have units subject to California Tax Credit Allocation Committee (TCAC) and/or California Debt Limit Allocation Committee (CDLAC) regulations in addition to Planning Code Section 415 and/or this Manual, Project Sponsors will work with the Planning Department and MOHCD to draft, execute and record a Use Restriction document that will be consistent with the TCAC regulatory agreement and any tax-exempt bond regulatory agreement.

The following procedures are intended to streamline the administration and monitoring of Projects regulated by TCAC or CDLAC and the City, and to reduce the burden of multiple program requirements on Households and Project Sponsors, while still meeting the purpose of the Inclusionary Housing Program and this Manual. Unless otherwise stated, the more restrictive rule will apply to a Project.

a) Vacancies

Project Sponsors may use a waitlist to fill future BMR Rental Unit vacancies. The waitlist shall be subject to Lottery preferences and shall be generated by MOHCD after administering a Lottery. In no case may an applicant Lottery list be older than three (3) years. Prior to the expiration of a waitlist, Project Sponsors shall notify MOHCD to initiate the process to refresh the applicant Lottery list.

b) Qualifying Applicants and Annually Recertifying Renters

Rents for BMR Units may not exceed the rent levels specified in the Project's Use Restrictions and the Inclusionary Program rents published annually by MOHCD.

Project Sponsors may defer to the more restrictive rules or regulations for BMR Units with several affordability restrictions. However, if the TCAC or CDLAC regulations and/or regulatory agreements are silent on a specific matter, Project Sponsors shall follow this Manual. Project Sponsors may qualify BMR Households according to TCAC or CDLAC procedures and documentation standards as long as BMR Households do not exceed MOHCD's maximum income under the Use Restriction at initial lease up and at recertification.

Once the TCAC or CDLAC and/or regulatory agreements monitoring period expire, the Project will be solely governed by the Inclusionary Housing Program and the terms prescribed in the Use Restriction; and will be required to conform to all Inclusionary Housing Program processes and procedures.

C. Planning Code Section 124(f) Middle Income Housing units

1. Eligible Projects

Section 124(f) provides a density bonus for projects in the "C-3-G and C-3-S Zoning Districts" that provide Middle Income units Affordable to Households earning no more than 150% of Area Median Income (AMI) for owned units or 120% of AMI for rental units in zoning districts in San Francisco. Per Section 124(f), such units will not count toward a Project's Floor Area Ratio requirements, thereby allowing for more units to be built in a Project. Sponsors must work with the Planning Department to determine eligibility for the 124(f) Program.

Units designated as 124(f) units shall meet all of the procedures, Pricing methodology, marketing, monitoring obligations and other requirements of this Manual, including a requirement that all 124(f) units be sold or rented at a price that is at least twenty (20%) below the market-rate sales price or rent for the area.

2. Restricted Income Units

Section 124(f) units that also satisfy a Project's requirements under Section 415 et seq must follow the Maximum Allowable Income requirements of the Program and be sized and located according to the rules of Section 415 et seq and this Manual.

Per Section 124(f), 124(f) units that do not satisfy any Program obligation will follow the Maximum Allowable Income requirements of Section 124(f) and be family sized, meaning that each 124(f) unit must contain at least two (2) or three (3) bedrooms.

3. Income Tiers/Income Mix

In the event that the 124(f) unit is also an on- or off-site unit under Section 415, 124(f) units shall not be used to determine the required unit size mix for purposes of the Program.

4. Affordability Period

Section 124(f) units must remain Income Restricted for the Life of the Project unless otherwise stated in the Use Restriction.

5. Combination with Other Density Bonus Programs

124(f) units may not be counted toward any other Density Bonus allowance.

D. Development Agreements

MOHCD is a partner with other City departments and agencies delivering affordable housing through the negotiation and implementation of Development Agreements, Preservation Agreements, Disposition & Development Agreements, and/or Owner Participation Agreements. Such agreements may contain requirements for affordable housing that are distinct to each Project and exempt from the Planning Code but may incorporate this Manual as the rules for delivering and implementing the affordable housing under such agreement. In addition, such agreements may recognize MOHCD as the agency overseeing the Pricing, marketing, lease up or sales, monitoring, and compliance of affordable units. If an agreement specifies that a Project(s) is subject to this Manual, MOHCD will implement the requirements under this Manual to the Project, unless superseded by the agreement. MOHCD will work with Project Sponsor, Planning Department, and any other City agencies to ensure BMR Units produced under these agreements are implemented clearly and efficiently and deliver the intended benefits to San Francisco residents.

E. Condo Conversion Below Market Rate Program Units

This Manual is adopted in its entirety for units subject to Section 1344 of the San Francisco Subdivision Code under the Condo Conversion Below Market Rate (BMR) Program ("Condo Conversion BMR Units"). This includes all owners who purchased a Condo Conversion unit on or after January 18, 2009, which was the effective date of the Ordinance No. 320-08 (File No. 080520) ("Condo Conversion Ordinance"), and all Condo Conversion BMR Owners who purchased prior to the effective date of the Condo Conversion Ordinance who have agreed through a contract with the City under San Francisco Subdivision Code Section 1344 (i) (b) to opt into an alternative for compliance with Section 1344 and to be bound by the Procedures Manual in place at the time of purchase. Pursuant to the Subdivision Code, all such Owners of Condo Conversion BMR Units must comply with the terms and guidelines set forth in this Manual, including but not limited to the procedures regarding marketing, monitoring and enforcement.

F. Replacement Units

Section 415.6(a)(3) requires projects that demolish, convert or remove affordable units to replace these units with affordable units of a comparable number of bedrooms even where that would result in more than the otherwise required percentage of affordable units. All such replacement units shall meet all of the procedures, Pricing methodology, marketing, monitoring obligations and other requirements of this Manual, including that all such replacement units be sold or rented at a price that is at least twenty percent (20%) below the market-rate sales price or rent for the area.

G. Accessory Dwelling Units (ADUs)

New units added to an existing building that are also BMR Units are subject to the program rules and regulations outlined in this Manual. ADU BMR Units will be considered part of the original Project which may cause an increase in the number of parking spaces and the number of set-aside units for certain Lottery preferences. However, the ADU BMR Units will be marketed as re-rental opportunities and not new projects.

H. Voluntary Units

Voluntary Units that are designated as BMR Units will be subject to the same program rules and regulations as the obligated Inclusionary BMR Units.

IX. Performance Metrics

MOHCD has established goals and objectives for the implementation of the BMR program to aid in the evaluation of affordable housing policy. These are results-based performance measures to gauge how well the Program achieves its goals and objectives. MOHCD produces data and partners with the Planning Department on the analysis to assess not only program performance, but also outcomes, which can be used to develop future policy. To ensure Project Sponsors effectively meet their expectations during the sale or leasing of their BMR Units, MOHCD will provide specific deliverables.

Goal	**Objective**	**Measure**
Public has access to Inclusionary affordable housing opportunities.	Project Sponsor standardized Resident Selection Criteria with allowance for mitigating circumstances is required and monitored.	Number of income eligible BMR applicants and occupants increases each year.
Increase representation in BMR housing of communities historically underserved by the Inclusionary program.	Project Sponsor targeted Marketing activities are required and monitored.	Annual Race and Ethnicity data is representative of the races and ethnicities of income eligible San Francisco Households overall.
Ensure Planning Code meets the needs of low to Moderate Income Households.	Provide Planning Code evaluation data to Planning Department.	Compare AMI levels in Planning Code to AMI levels of BMR applicants.
Increase efficiency and reduce number of non-compliant projects.	Increase the interagency coordination between Planning Department and Department of Building Inspection through improved communication and shared systems.	Decreased number of projects that receive approval for occupancy without meeting Inclusionary requirements.

X. DEFINITIONS

The definitions contained in Section 401 of the Planning Code shall apply to this Manual. Defined terms are capitalized throughout this Manual.

Affordable Housing Fee
The fee paid to the City under Section 415.5.

Acknowledgement of the Declaration of Restrictions
A document executed at the close of escrow by a BMR buyer to acknowledge program rules and restrictions.

AUS
Automated Underwriting Systems.

BMR Deed of Trust
A document prepared by MOHCD and executed at the close of escrow by a BMR buyer for the City to secure the BMR Note, as detailed in Section IV (C) of this Manual.

BMR Note
A promissory note in a form prepared by MOHCD and executed at the close of escrow by a BMR buyer for the benefit of the City and secured by the BMR Deed of Trust, as detailed in Section IV (C) of this Manual.

BMR Owner
An Owner of a BMR Unit.

BMR Renter
A Renter of a BMR Unit.

BMR Unit, BMR Rental Unit or BMR Ownership Unit
A Below Market Rate Unit, either ownership or rental, also defined in Section 401 as an "Affordable unit" or "affordable housing unit," that is restricted pursuant to Section 415.

BMR Renter Acknowledgement
An acknowledgement requiring the Household's signature at the time of lease signing or income recertification agreeing to the restrictions on the BMR Rental Unit and the policies and procedures of the BMR program.

DAHLIA San Francisco Housing Portal or DAHLIA
San Francisco Housing Portal Database of Affordable Housing Listings, Information and Application: a web accessible data system used by MOHCD to advertise BMR Units, manage applications and related data.

DAHLIA Partners

A web accessible data system used by MOHCD and Project Sponsors to manage applicant data and the eligibility of applicant Households.

Declaration of Restrictions and Option to Purchase Agreement
A document executed by a BMR buyer at the close of escrow, in form and substance approved by MOHCD and in favor of the City, that is recorded against the title for a BMR Unit in the Official Records upon the sale of the BMR Unit.

Domestic Partner/Partnership
Any Federal or State registered Domestic Partnership.

Fair Market Appraisal
The value of a BMR Unit determined without regard to sales or rental restrictions on that unit pursuant to an independent appraisal conducted by a State licensed appraiser acceptable to MOHCD.

Fair Housing
State or federal laws that govern the fair and unbiased treatment of buyers and renters when selling or renting a housing unit.

First Come, First Served (FCFS)
An established process by MOHCD to fill vacant BMR Units based on the order applications are received. The process is available to Project Sponsors and BMR Owners who have advertised BMR Units on DAHLIA, held a Lottery, exhausted the Lottery applicant list, and still have vacant BMR Units.

First Come, First Served Marketing Plan or FCFS Marketing Plan (Template Form)
A MOHCD template form for Project Sponsors or BMR Owner to describe their outreach and marketing strategies used to promote BMR housing opportunities to the local community and other target populations through various methods of advertisements and outreach. The Project Sponsor or BMR Owner will also describe the building composition, unit mix, rents, utility structure, amenities, fees, parking, applicant qualifications, applicable Lottery preferences, advertising language, timelines, information on open houses and information sessions, language access, proposed marketing flyer, among other things.

For projects with BMR Rental Units, Project Sponsors will submit to MOHCD for review with the marketing plan the building's rental application, lease agreement, lease addenda, Resident Selection Criteria, landlord verification form (if applicable), marketing flyer, the building's credit, rental history, and criminal background authorization forms if not previously approved by MOHCD or approved by MOHCD more than 12 months prior to submission.

First-Time Homebuyer
Someone who has not owned or gained interest in a housing unit in the past 3 years.

Gross Income
Income received before any deductions for taxes, expenses or other items.

Head of Household
Head of Household is the primary applicant as defined by the IRS and/or first mortgage loan application. There cannot be more than one Head of Household on a given application.

HO-6
A homeowner's insurance specifically for condominiums. It covers the interior walls, fixtures, and personal property inside a condominium.

HOA or Homeowners Association
An association that manages the common areas of a condominium or planned unit development (PUD).

HOA Dues
Monthly payments due to a Homeowners Association for the upkeep, maintenance and improvement of common areas in a residential building.

HOME-SF Unit
An on-site income restricted residential unit provided within a HOME-SF Project that meets the requirements set forth in Section 206.3.

Household
Any person or persons who reside in or intend to reside in the same Residential Unit.

Inclusionary Housing
Includes both BMR Ownership Units and BMR Rental Units.

Life of the Project
As long as the building stands or exists. See Section 401.

Liquid Assets
An asset that can be converted into cash with little or no loss in value, as specified in Section III (C)(1) of this Manual.

Lottery
Random selection process that provides Qualified Applicants the opportunity to rent or buy BMR Units.

Lottery Application
A form used to enter a Lottery for BMR Units listed on the DAHLIA San Francisco Housing Portal.

Low Income
Household income at or below eighty percent (80%) of the area median income for the City and County of San Francisco, as calculated by the Mayor's Office of Housing using data from the United States Department of Housing and Urban Development (HUD) and adjusted for Household size.

Marketing and Outreach Plan (Marketing Plan Template Form)
A MOHCD template form for Project Sponsors to describe their outreach and marketing strategies used to promote BMR housing opportunities to the local community, Certification of Preference holders, and

other target populations through various methods of advertisements and outreach. The Project Sponsor will also describe the building composition, unit mix, rents, utility structure, amenities, fees, parking, applicant qualifications, applicable Lottery preferences, advertising language, timelines, information on open houses and information sessions, language access, proposed marketing flyer, among other things.

For projects with new BMR Rental Units RU, Project Sponsors will submit to MOHCD for approval with the marketing plan the building's rental application, lease agreement, lease addenda, Resident Selection Criteria, landlord verification form (if applicable), marketing flyer, Certificate of Preference postcard, and the building's credit, rental, and criminal background authorization forms.

For projects with new BMR Ownership Units OU, Project Sponsors will submit the market-rate pricing sheet, marketing flyer, Certificate of Preference postcard, and any other information listed on the market plan template form to MOHCD for review and approval.

Maximum Household Income
The maximum income allowed for a Household applying for a BMR Unit as determined by Household size under the Maximum Income Chart.

Maximum Income by Household Size
Derived from the Unadjusted Area Median Income (AMI) For HUD Metro Fair Market Rent Area (HMFA) That Contains San Francisco. It is shown in a table produced by MOHCD annually that announces AMI levels for that calendar year and published on the MOHCD website.

Maximum Income Chart
The chart of maximum income based on median income for the City and County of San Francisco as published annually by MOHCD and derived, in part, from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco published by the United States Department of Housing and Urban Development, adjusted for Household size. The name of the Maximum Income Chart is the "Maximum Income by Household Size Derived from the Unadjusted Area Median Income (AMI) for HUD Metro Fair Market Rent Area (HMFA) that Contains San Francisco."

Maximum Annual Rent
The highest allowable monthly rent paid by a BMR Renter for use of the designated BMR Unit as the Household's principal residence, as defined in Section 401.

Maximum Monthly Rent Chart
The chart of maximum monthly rent based on unit size (bedroom count) and median income under the Maximum Income Chart. The name of the Maximum Monthly Rent Chart is "Maximum Monthly Rent by Unit Type."

Maximum Purchase Price
The highest allowable price for any given BMR Ownership Unit, as defined in Section 401.

Maximum Resale Price
The purchase price to be paid by a new buyer of BMR Ownership Unit to a previous owner.

Middle Income
Household income between 120% and 150% of the area median income for the City and County of San Francisco, as calculated by the Mayor's Office of Housing using data from the United States Department of Housing and Urban Development (HUD) and adjusted for Household size.

Moderate Income
Household income between 80% and 120% of the area median income for the City and County of San Francisco, as calculated by the Mayor's Office of Housing using data from the United States Department of Housing and Urban Development (HUD) and adjusted for Household size.

MOHCD-Approved First-Time Homebuyer Education Provider
A HUD approved housing counseling agency and certified by MOHCD as listed on MOHCD's website.

MOHCD-Approved Lender
A Nationwide Mortgage Licensing System (NMLS) lender who has attended annual trainings for all MOHCD homeownership programs, signed the BMR Lender Agreement, and is a part of an approved lending institution that pays an annual participation fee to MOHCD. Certified Lenders are listed on MOHCD's website.

MOHCD Pricing Letter, Pricing Letter, or Pricing Determination
A formal document issued by MOHCD outlining the maximum sales price or rent level of the BMR Unit, Maximum Income by Household size for prospective buyers or renters, and additional terms, conditions, and procedures pertinent to the sale or leasing of a BMR Unit.

Non-Title Occupant
Any person who will reside or intends to reside in the BMR Ownership Unit, but (i) is not a dependent of any Household member, (ii) will not appear on the title for the Property, and (iii) will not be a co-borrower for the first mortgage.

Notice of Option to Purchase

An official notification sent by the Project Sponsor to applicants, offering them the opportunity to purchase a BMR Unit in the Project, when converting the Project's Tenure from rental to ownership.

Notice of Special Restrictions or NSR
As defined in Section 401, a document that details the affordability restrictions (Use Restriction) on BMR Units.

Notice to Vacate
A written notice that tenants submit to their landlord stating they plan to move out of the BMR Rental Unit.

Parking Waitlist
A list maintained by the Project Sponsor of BMR Households in BMR Rental Units who are waiting for a parking space to become available. The Lottery ranked list shall consist of BMR Households who were

not granted a parking space at initial lease-up followed by BMR Renters who later move into the building.

Planning Code
The City and County of San Francisco Planning Code.

Planning Commission
As defined in Section 401, a governing body of the Planning Department that among other things, reviews a Conditional Use Permit or PUD.

Post-Purchase Education
A course designed to provide basic education for new homeowners offered by a HUD approved counseling agency certified by MOHCD as listed on MOHCD's website.

Primary Residence
Household members on title or lease who live in the BMR Unit at least ten (10) out of twelve (12) months of each calendar year.

Pricing
The process of reviewing a Project's Use Restrictions to determine the purchase price or rent level of a BMR Unit. The Use Restrictions state the maximum AMI level for calculating the rent or purchase price.

Pricing Request Form or Pricing Request (Template Form)
A MOHCD provided form Project Sponsors use to request the Pricing of their BMR Units in accordance with the requirements set forth in this Manual.

Principal Project
A housing development on which a requirement to provide affordable housing is imposed.

Profit and Loss Statement or P&L Statement
A financial statement that summarizes the revenues, costs and expenses incurred during a specified period.

Project
Building or development where BMR Units are located.

Project Approval
Approval of a Project by the City's legislative bodies.

Project Sponsor
The person or persons or legal entity or entities holding ownership interests of a Project, including, but not limited to, any employees, contractors, and/or agents undertaking the obligations under this Manual.

Qualified Applicant

A person that has been determined by MOHCD or the Project Sponsor to meet the eligibility requirements for a particular BMR Unit.

Qualified Household
A Household that has been determined by MOHCD or the Project Sponsor to meet the eligibility requirements for a particular BMR Unit.

Re-Rental Marketing Plan (Template Form)
A MOHCD template form for Project Sponsors to describe their outreach and marketing strategies used to promote BMR housing opportunities to the local community and other target populations through various methods of advertisements and outreach. The Project Sponsor will also describe the building composition, unit mix, rents, utility structure, amenities, fees, parking, applicant qualifications, applicable Lottery preferences, advertising language, timelines, information on open houses and information sessions, language access, proposed marketing flyer, among other things.

Project Sponsors will submit to MOHCD for approval with the marketing plan the building's rental application, lease agreement, lease addenda, Resident Selection Criteria, landlord verification form (if applicable), marketing flyer and the building's credit, rental, and criminal background authorization forms if not previously approved by MOHCD.

Resident Selection Criteria
A Project Sponsor document listing eligibility requirements for the approval to BMR Units.

Resale Pricing Formula
A formula containing the specific steps necessary to determine the Maximum Resale Price for a BMR Ownership unit, generally contained in a unit's Declaration of Restrictions or, in some cases, in prior versions of this Procedures Manual.

Resale BMR Units or Resales
All BMR Units sold after the initial sale.

Restricted Affordable Unit (as applied to the State Density Bonus Program)
A dwelling unit within a Project which will be Affordable to Very Low, Lower or Moderate-Income Households, as defined in Section 206.2, for a minimum of 55 years. Restricted Affordable Units shall meet all of the requirements of California Government Code 65915, except that Restricted Affordable Units that are ownership units shall not be restricted using an equity sharing agreement.

SRO or Single Room Occupancy Unit
As defined in the Section 890.88.

Section 8 or Section 8 Housing Choice Voucher Program
A federal housing program administered locally by the San Francisco Housing Authority in which a subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family.

Special Assessment
A proportional fee charged to a BMR Owner by the Homeowners Association (HOA) to cover the cost of physical improvement to the entire Project.

Spouse
A partner in a legal marriage.

Temporarily Absent Household Member
An individual who is temporarily separated from their Household and unable to occupy the BMR Unit as their Primary Residence within sixty (60) calendar days after the BMR Unit is sold or leased. Such Household members include, but are not limited to, Household members serving temporarily in the armed forces, or those who are temporarily institutionalized.

Tenure
The conditions under which the BMR Unit is occupied, either as ownership where the occupant owns the BMR Unit, or as a rental where the occupant pays rent to the Project Sponsor.

Transfer
Any voluntary or involuntary sale, assignment or Transfer of title in a BMR Unit.

Transfer Tax
A tax on the passing of title to property from one person (or entity) to another.

Use Restrictions
Any restrictions imposed by the Program or the City on the use or conveyance of a BMR Unit, as set forth in the Use Restriction, Conditions of Approval, Declaration of Restrictions, and/or other recorded documents or associated Planning Code provisions in effect at the time of Project Approval.

Veteran

Any person who (i) served in the active military, naval, or air service, and was discharged or released therefrom under conditions other than dishonorable, and (ii) is recognized by the United States Department of Veterans Affairs to receive or qualify for benefits or assistance.

YTD
Year to Date.

Zoning Administrator
The Zoning Administrator for the City and County of San Francisco.

XI. WEBSITE LINKS

Affordable Housing Fee:
https://sfplanning.org/project/inclusionary-affordable-housing-program

City's Zoning Administrator:
http://sf-planning.org/zoning-administrator

MOHCD website:
sf.gov/mohcd

MOHCD Privacy Policy:
https://housing.sfgov.org/privacy

Condo Conversion Below Market Rate Program:
http://sfmohcd.org/bmr-condo-conversion-program

MOHCD Marketing, Housing Preferences and Lottery Procedures Manual:
www.sf.gov/information/learn-about-housing-lottery-preference-programs

MOHCD incomes by Household size:
http://sfmohcd.org/income-limit-rent-limit-and-price-level-information-mohcd-programs

DAHLIA San Francisco Housing Portal:
https: //housing.sfgov.org

MOHCD-Approved First-Time Homebuyer Education Provider:
https://www.sf.gov/resource/2022/homebuyer-program-counseling-agencies

MOHCD-Approved Lenders:
https://www.sf.gov/reports/july-2024/find-lender-below-market-rate-program

DALP website:
https://www.sf.gov/reports/april-2024/downpayment-assistance-loan-program-dalp

Condo Conversion Below Market Rate Program:
www.sf.gov/condo-conversion-below-market-rate-program

Fair Chance Ordinance:
https://www.sf.gov/information/affordable-housing-protections-people-criminal-history

San Francisco Rent Ordinance:
http://library.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:sanfrancisco_ca)

Refinancing and subordination:
www.sf.gov/refinancing-and-subordination

XII. APPENDIX

A. DETERMINING PROGRAM PARTICIPANT HOUSEHOLD SIZE AND ELIGIBLILTY

1. Non-Title Occupant

A Non-Title Occupant (approved by MOHCD) will not count toward the Household size and the bedroom count of the BMR Unit, but the Non-Title Occupant's income will be included in Household Income when determining the Household Income eligibility. For example, a Household consisting of two persons is applying for a BMR Ownership Unit but their 27-year-old son (who is not a dependent of any Household member) will reside at the BMR Unit as a Non-Title Occupant. In order to exempt the son from Household size and the Loan and Title Requirements under Section IV (A)(2) of this Manual, the applicant's Household may apply for up to a two-bedroom unit under a two-person Household AMI, as long as the applicant's Household includes the son's income in Household Income and the resulting total Household Income does not exceed the maximum income eligibility for a two-person household (not three-person household). Non-Title Occupants are usually those who do not intend to live in the BMR Ownership Unit as their permanent Primary Residence during the BMR Owner's term of ownership.

2. Divorced or Legally Separated Household Member

Any Household member who was divorced in the past three (3) years or legally separated, must provide a judgment of dissolution of marriage or an order of legal separation that has been finalized with the court (signed by a judge and entered into court records), in addition to the following: (i) Spouse/ex-Spouse is no longer living with a Household member; (ii) Spouse/ex-Spouse will not reside in the BMR Unit with a Household member; and (iii) Spouse/ex-Spouse and the applicant don't have any combined finances (such as joint assets, filing joint returns, and sharing living expenses), to meet the Household requirements as described in Section II (A). Prior to MOHCD's determination of the applicant's Household eligibility, MOHCD will require a copy of court-endorsed, final judgment of dissolution or order of separation with all applicable exhibits, forms, and schedules to verify marital status and terms including but not limited to the division of assets, division of debts, spousal support, child support, child custody, and visitation.

B. DETERMINING INCOME AND ASSETS

1. Deposits

The source of any deposit of $500 or more, or recurring non-payroll deposits regardless of transaction amount, into an account must be documented. Deposits may indicate recently opened liabilities resulting from borrowed funds or additional undisclosed sources of income that may be required to be documented to determine Household Income compliance (see Section III (A)(3)(h) (*Other Income*) above for additional guidance). If the source of the deposits is readily identifiable on the account statement(s), such as a direct payroll deposit, the Social Security Administration, tax refund, or a transfer of funds between verified accounts, no further documentation may be required. However, if the source of deposits is not identifiable on the account statement(s), but if such deposits are unlikely to impact eligibility as determined by MOHCD, no further documentation may be required.

2. Vested and Non-Vested Stocks

The treatment of restricted stocks and restricted stock units primarily depends on a) whether the shares are vested or non-vested; and b) whether the shares have been exercised or not.

- Non-vested restricted stocks/restricted stock units will not be counted as income or Liquid Assets.
- Vested restricted stocks/restricted stock units will be counted as income or Liquid Assets based on the following criteria:
    i. If the applicant has been receiving income from exercising/selling the vested shares over the last twelve (12) months with remaining shares sufficient to support continuous receipt of income, they will be treated as income.
    ii. If the applicant has not been receiving income from the vested shares in the past, they will be treated as Liquid Assets, unless sufficient documentation from the applicant's employer verifies that the vested shares are not accessible to the applicant. Shares that are not accessible to applicants may be exempt from being counted as Liquid Assets. For publicly traded stocks, the value of vested shares will be determined by using current stock prices from a financial publication or website. For stocks that are not publicly traded, the value of vested shares will be verified through documentation from the applicant's employer.

Documentation required for restricted stocks/restricted stock units (vested and non-vested) include:

- The most recent three (3) consecutive months or last quarterly brokerage or bank statements;
- Award Agreement; and
- Vesting schedule detailing past and future vesting.

If an applicant has been receiving income by selling their shares, the applicant must submit the following: (i) paystubs (or written verification of employment) documenting receipt of payouts of stock options, AND (ii) employer-provided statements paired with the brokerage or bank statements showing (a) sales of shares with dates of the payouts and (b) the number of vested shares or its cash equivalent distributed.

C. BELOW MARKET RATE (BMR) OWNERSHIP PROGRAM

1. Back-End Ratio or Total Debt-to-Income (DTI) Ratio

Back-end or DTI Ratio cannot be higher than forty-five (45%).

Back-end or DTI ratio is the ratio of monthly housing costs, plus all other monthly recurring debts (listed below) to the Gross Income. Unless otherwise approved by MOHCD, monthly recurring debts generally included in DTI Ratio are:

a) Installment Payments

Installment debts with a remaining term of ten (10) months or more must be included in the total DTI ratio.

b) Revolving Accounts

The payment amount listed on the credit report for each revolving account, or if no payment amount is listed on the credit report, the greater of ten dollars ($10) or five percent (5%) of the balance.

c) Lease Payments

The amount of all lease payments.

d) Child Support

All child support (including alimony or separation maintenance) obligations with a remaining term of ten (10) months or more.

e) Student Loans

Student loans with a remaining term of ten (10) months or less or on an income-driven payment plan with a zero ($0) payment (as verified through student loan documentation), may be excluded from the total DTI Ratio. For student loans in repayment, deferment, or forbearance, the following guidelines apply:

- Include the monthly payment on the credit report.
- If there is no monthly payment or the monthly payment amount reported on the credit report is zero: (i) one percent (1%) of the outstanding loan balances, as reported on the credit report; or (ii) the actual documented payment, provided the payment will fully amortize the loan over its term.

f) Loans Secured by Financial Assets

When an applicant uses his or her financial assets – life insurance policies, 401(k) or 403B accounts, individual retirement accounts, etc. – as security for a loan, the applicant has contingent liability. MOHCD will include this contingent liability as part of the applicant's recurring monthly debt obligations when determining the applicant's total DTI ratio. A copy of the applicable loan instrument will be required to verify the debt payment.

2. Debts Excluded in DTI Ratio

The following debts may be excluded from the recurring monthly obligations and the DTI Ratio:

a) Court-Ordered Assignment of Debt

When an applicant has outstanding debt reflected on the credit report that was assigned to another party by a court order (such as under a divorce decree) and the creditor does not release the applicant from liability, the applicant has a contingent liability. MOHCD will exclude this contingent liability as part of the applicant's monthly debt obligation. A copy of the final divorce decree (as described in Section II (A)(8) (*Definition of Household*) of this Manual) must be provided in order to exclude it from the DTI ratio.

b) Open 30-Day Charge Accounts

Open 30-day charge accounts require the balance to be paid in full every month. MOHCD does not require open 30-day charge accounts to be included in the DTI Ratio. However, sufficient funds must be verified to cover the account balance, in addition to any funds required for closing costs and reserves.

c) Debts Paid by Others

When an applicant is obligated on a debt—but is not the party who is actually repaying the debt—MOHCD may exclude the monthly payment from the applicant's recurring monthly obligations. In order to exclude the debts from the applicant's DTI Ratio, MOHCD requires the most recent twelve (12) months of canceled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments.

d) Authorized User Accounts

MOHCD may exclude the monthly payment under authorized user accounts where there is another authorized user that is not the applicant unless one of the following applies:

- The authorized user credit line belongs to a co-applicant, or
- It can be documented that someone else other than the applicant is making the payment. See Appendix (C)(2)(c) (*Debts Paid by Others*) above for requirements.