CITY AND COUNTY OF SAN FRANCISCO

INCLUSIONARY AFFORDABLE HOUSING PROGRAM MONITORING AND PROCEDURES MANUAL

Adopted December 13, 2012
Effective [pending[1]], 2013

[1] On December 4, 2012, Mayor Edwin Lee introduced legislation entitled "Planning Code – Inclusionary Affordable Housing Program Updates and Clarifications in File No. 121162 ("proposed Ordinance"). Among other things, the proposed Ordinance authorizes some of the changes proposed to the Procedures Manual. As such, some of the amendments to the Procedures Manual cannot go into effect until the Board of Supervisors finally adopts the proposed Ordinance.

Preface

The Inclusionary Affordable Housing Program ("Program") requires developers to sell or rent a certain percentage of units in new developments at a "below market rate" price that is affordable to Low-income, Median-income and Moderate-income Households. The Program is governed by San Francisco Planning Code Section 415 *et seq*., and is administered by the San Francisco Mayor's Office of Housing ("MOH"). Planning Code Section 415 requires that MOH and the San Francisco Planning Department publish a Procedures Manual containing procedures for monitoring and enforcement of the policies and procedures for implementation of the Program. This Monitoring and Procedures Manual ("Manual") contains information regarding the Program for potential buyers and renters of below market rate units ("BMR Units"), as well as for information for Projects Sponsors, owners and property managers of BMR Units developed under the Program. Updates to the Manual occur as needed.

The purpose of the Program is to provide housing options to Low-income, Median-income and Moderate-income Households in San Francisco in order to maintain income and cultural diversity in San Francisco. The findings set forth in Section 415.1 of the San Francisco Planning Code further explain the need for such housing in San Francisco.

This Manual should be read in conjunction with the applicable requirements of the Program, found in San Francisco Planning Code Section 415 *et seq.*, including prior versions of that section. Previous versions of Planning Code section 415 *et seq.* can be found on the MOH website at www.sf-moh.org. While every effort has been made to harmonize the information in this Manual with the requirements of the Planning Code and previous versions of the Code, should there be any conflict with the Manual and the Planning Code or previous versions of Section 415 *et seq.* (whichever is applicable to a particular development), the terms of the Planning Code or those previous versions shall prevail over this Manual. The provisions of a Notice of Special Restrictions recorded on a Project or BMR Unit developed under the Program shall prevail over any general requirements in the Manual or the Planning Code.

Users of this Manual are encouraged to seek their own legal counsel to aid in understanding of the requirements of the Program. If there are general questions regarding the Manual, users may call the Mayor's Office of Housing at (415) 701-5500, or visit its website at www.sf-moh.org.

Any request for the interpretation and applicability of the provisions of the Planning Code may be sought by contacting the Zoning Administrator, pursuant to Planning Code Section 307(a).

The Procedures Manual in effect at the time of initial purchase or initial rental of a BMR Unit shall govern the regulation of that unit until it is sold or re-rented unless a BMR Owner or current BM Renter chooses to be governed by all of the more up-to-date provisions of the then-current Procedures Manual. In that case, the BMR Owner or current BM Renter must agree to be governed by the totality of the new regulations; a BMR Owner or BMR Renter may not pick some provisions from the Procedures Manual in effect at the time of initial purchase or initial rental and some in effect in the then-current Procedures Manual. If the owner or tenant chooses to be governed by the then-current Procedures Manual, he or she shall sign an agreement with the City to that effect, and the Planning Department and MOH shall apply all of the rules and regulations in the then-current Procedures Manual to the BMR Unit.

The effective date of this Manual is _____, 2012. Prior versions of this Manual were adopted on

September 10, 1992 and June 28, 2007.

Table of Contents

I. DEFINITIONS…….Pages 8-15

II. OWNERSHIP PROGRAM …….Pages 16 - 42

A. QUALIFIED BUYER
- First-time Homebuyer Requirement
- Income and Asset Requirement
- Household Definition and Requirements
- Household Size Determination
- Minimum Household Size
- Occupancy Requirement
- Title and Loan Requirements
- First-time Homebuyer Education Workshop Requirement
- Loan Preapproval Requirement

B. PROCESS
- Application Process
- Application Requirements
- Changing an Application after Submission
- Application Review Period
- Request for Application Reconsideration
- Realtor Representation
- Maximum Occupancy Standard
- Selection of BMR Buyers upon Initial Sale and Resale of BMR Units
  - Lottery Preferences
  - Verification of Preference Qualification
  - Lottery Process
  - Post-Lottery Process
- Financing
- Escrow
- Transaction Fees for BMR Ownership Units

C. ESTABLISHMENT OF INITIAL SALE AND RESALE PRICING
- Pricing Process
- Income Table
- Methodology for Pricing Initial Sale Units
- Parking Space Policy for BMR Ownership Units
  - Bundled Parking Policy for BMR Ownership Units
  - Unbundled Parking Policy for BMR Ownership Units
- Pricing Methodology for BMR Units upon Resale

D. FINANCING REQUIREMENTS

Loan Requirement
Loan Originator
Loan Term
Loan Payment Plan
Loan to Value Ratio
Downpayment Requirement
Debt Ratios
Interest Rates
Documentation of Income
FICO Score
Co-signing
Fees
Seller Credits
Named Borrowers
Appraisals
BMR Note
Government-insured Loans
Securitizing Loans
Refinancing
Home Equity Lines of Credit and Home Equity Loans
Default and Foreclosure
Short Sales
Financing Additional Items upon Purchase
Exception for BMR Units Unable to Obtain Financing

E. TITLE AND ESCROW REQUIREMENTS
Named Titleholders
Vesting

F. RESTRICTIONS ON BMR OWNERSHIP UNITS AND OWNERS
Term of Restriction
Occupancy Requirements
Rental Prohibition
Maintenance and Insurance
Transfer Procedures
Transfer to Spouse of Domestic Partner
Transfer upon Owner's Death
Removing a Person from Title
Resale Restrictions and Process
Inheritance
Resale Restrictions and Procedures
Units Unable to Resell
Capital Improvements and Special Assessments
Procedure for Submitting Capital Improvements
Special Assessments
Capital Improvements Cap

List of Approved Capital Improvements
Estate Planning

G. DOCUMENTATION AND ENFORCEMENT OF SALES RESTRICTIONS FOR BMR OWNERSHIP UNITS
Promissory Note
Deed of Trust
Declaration of Restrictions and Options to Purchase Agreement
Buyer Acknowledgment of Special Restrictions
Function of Documents
Termination of Note and Reconveyance of Deed of Trust upon Resale
Term of Note and Deed
Order of Liens
Recordation of Restrictions

H. Monitoring of BMR Ownership Units

III. RENTAL PROGRAM…….Pages 43 - 55

A. QUALIFIED RENTER
Non-homeowner Requirement
Income and Asset Requirement
Household Definition and Requirements
Household Size Determination
Minimum Household Size
Occupancy Requirement
Lease Holder Requirements

B. PROCESS
Application Process
Application Requirements
Changing an Application after Submission
Application Review Period
Request for Application Reconsideration
Fees for Applying
Selection of BMR Buyers at Initial Rental and Rerental of BMR Units
Lottery Preferences
Verification of Preference Qualification
Lottery Process
Post-Lottery Process

C. ESTABLISHMENT OF INITIAL RENTAL AND RERENTAL PRICING
Pricing Process
Income Table
Methodology for Establishing Initial Maximum Monthly Rent for BMR Rental Units

Parking Space Policy for BMR Rental Units
Methodology for Establishing Rental Rate upon Rerental of BMR Rental Units
Permissible Rent Increases for BMR Rental Units
Source of Annual Rent Levels for BMR Rental Units
Rent Subsidies
Additional Fees Required of Renters

D. PERMISSIBLE REASONS FOR PROJECT OWNERS TO DENY BMR RENTER HOUSEHOLDS
Inability to Pay Rent
Credit
Eviction History
Criminal History
Maximum Occupancy Standard

E. PERMISSIBLE REASONS FOR PROJECT OWNERS TO EVICT OR FAIL TO RENEW THE LEASE OF A BMR RENTER HOUSEHOLD
Non-payment of Rent
Illegal Use of Unit
Nuisance
Breach of Lease
Conversion of Rental BMR Unit to Ownership BMR Unit
Nonconformance with Program Rules

F. LEASE AGREEMENT PROCESS

G. RESTRICTIONS ON BMR RENTAL UNITS AND RENTERS
Term of Restriction
Occupancy Requirement
Rental Prohibition
Maintenance
Lease Changes
Transferring Units
Annual Recertification
Permissible Increase in Income

H. DOCUMENTATION AND ENFORCEMENT OF RESTRICTIONS FOR BMR RENTAL UNITS

I. MONITORING OF BMR RENTAL UNITS

J. CONVERSION OF RENTAL UNIT TO OWNERSHIP UNIT

IV. INCOME REVIEW PROCEDURES FOR BMR OWNERSHIP AND RENTAL UNITS …….Pages 56-58

A. Sources of Income

B. Determining Baseline Household Income

Calculating Income from Paystubs
Calculating Income from Government Income
Calculating Income from Self-employed Income
Calculating Income from Cash Income
Unemployed Applicants
Verification of Employment
Income from Commercial Property or Land Owned

C. Asset Test

D. Asset Test Exemption for Seniors

V. PROCEDURES FOR PROJECT SPONSORS AND PROPERTY MANAGERS: GENERAL COMPLIANCE PROCEDURES …….Pages 59-79

A. Approval Process

B. COMPLIANCE THROUGH PAYMENT OF THE AFFORDABLE HOUSING FEE

C. COMPLIANCE THROUGH NEW CONSTRUCTION ON-SITE
Number of Units Required
Pricing and Income Requirements
Term of Restriction
Timing of Construction and Delivery of On-site Units
Design, Size and Location of Units
Development Subsidies
Marketing
Monitoring
Requirement to Record Restrictions

D. COMPLIANCE THROUGH NEW CONSTRUCTION OFF-SITE
Approval Process
Number of Units Required
Pricing and Income Requirements
Term of Restriction
Timing of Construction and Delivery of Off-site Units
Geographic Location of Off-site BMR Units
Quality Standards for Off-Site BMR Units
Individual Unit Sizes
Design of Off-site BMR Units
Room sizes
Interior Heights
Kitchen and Bathroom Amenities
Closets
Laundry facilities
Finish qualities

Parking
Zoning Administrator Discretion
Development Subsidies
Marketing
Monitoring
Requirement to Record Restrictions

E. COMPLIANCE THROUGH LAND DEDICATION IN EASTERN NEIGHBORHOODS
Initial Planning Department Review of Project
MOH Review and Recommendation
Required Materials
Approval Letter and Conditions

F. COMPLIANCE THROUGH MIDDLE INCOME ALTERNATIVE IN EASTERN NEIGHBORHOODS

G. MARKETING PROCEDURES FOR INITIAL SALE AND RENTAL OF BMR UNITS
General Requirements for Marketing of all Initial Sales and Rentals of BMR Units
Contents of Marketing Plan
Conduct of Marketing Plan
Application Review Process
Inability to Find a Buyer or Renter for an Initial Sale or Initial Rental BMR Unit

H. MARKETING PROCEDURES FOR RESALE AND RERENTAL OF BMR UNITS
Marketing Procedures for Resale of BMR Units
Marketing Procedures for BMR Rental Units upon Rerental
Maximum Monthly Rent of BMR Rental Units upon Re-rental
Marketing Procedures for BMR Rental Units upon Re-rental

I. CONVERSION OF BMR RENTAL UNITS TO OWNERSHIP UNITS

J. MONITORING AND REPORTING PROCEDURE
Monitoring and Reporting Procedures for BMR Ownership Units
Monitoring and Reporting Procedures for BMR Rental Units

K. STATISTICAL INFORMATION FOR BMR UNITS

L. DOCUMENT RETENTION POLICY

M. CONFLICT OF INTEREST

N. PENALTIES

O. PUBLIC RECORDS

I. DEFINITIONS

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

AMI OR AREA MEDIAN INCOME	As defined in Planning Code Section 401.
AFFORDABLE HOUSING FEE OR FEE	The fee paid to the City under Section 415.5 of the Planning Code.
AFFORDABLE TO QUALIFYING HOUSEHOLDS	As defined in Section 401 of the Planning Code.
ANNUAL GROSS INCOME	As defined in Section 401 of the Planning Code.
BMR	Below Market Rate
BMR BUYER	Below Market Rate Unit Buyer, including all members of the applicant Household.
BMR NOTE	As defined in Section II (G) of this Manual.
BMR OWNER	Owner of a Below Market Rate Unit, including all members of the Household.
BMR OWNERSHIP UNIT	A Below Market Rate Unit that is owned.
BMR RENTER	Below Market Rate Unit renter or current tenant of a BMR Rental Unit, including all members of the applicant Household
BMR RENTAL UNIT	A Below Market Rate Unit that is rented.
BMR UNIT	A Below Market Rate Unit as defined in Planning Code Section 401 as an “Affordable unit" or "affordable housing unit."
BACK END RATIO	As defined in Section II (D) of this Manual.
BASE PRICE	As defined in Section II (G) of this Manual.
CERTIFICATE OF FINAL COMPLETION AND OCCUPANCY	A certificate issued to a Project Sponsor by the San Francisco Department of Building Inspection (DBI) that certifies that all Building Code provisions and building specifications for the development project have been

	satisfied.
CERTIFICATE OF PREFERENCE	As defined in Section II (B) and III (B) of this Manual.
CERTIFIED REALTOR	A realtor certified with the California Association of Realtors.
CHANGE IN AMI FORMULA	As defined in Section II (F) of this Manual.
CITY	The City and County of San Francisco.
CITY DEED OF TRUST	As defined in Section II (G) of this Manual.
CLOSE OF ESCROW	The closing of the sale of Housing Unit.
COMBINED LOAN TO VALUE	The percentage of a property's value plus any outstanding debt on the property that a lender can or may loan to a borrower.
CONDITIONS OF APPROVAL	As defined in Planning Code Section 401.
CONDOMINIUM	As defined in Planning Code Section 401.
CONVERSION	Change in use of a property.
DBI OR DEPARTMENT OF BUILDING INSPECTIONS	As defined in Planning Code Section 401.
DEBT TO LOAN RATIO	The percentage of gross monthly income that goes toward paying for your monthly housing expense, alimony, child support, car payments and other installment debts, and payments on revolving or open-ended accounts, such as credit cards.
DEDICATED SITE	As defined in Planning Code Section 401.
DEED IN LIEU OF FORECLOSURE	A deed to real property accepted by a lender from a defaulting borrower to avoid the necessity of foreclosure proceedings by the lender.
DOMESTIC PARTNER	As defined in California Family Code, commencing with Section 297, whose definition does not include San Francisco Domestic Partnership.
EQUAL OPPORTUNITY HOUSING SYMBOL	The federal fair housing symbol used to identify the adherence to federal fair housing rules.

FICO	Fair Isaac Corporation. The best-known and most widely used credit score model in the United States.
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 an appraiser acceptable to MOH.
FAIR HOUSING	State or federal laws that govern the fair and unbiased treatment of buyers and renters when selling or renting a housing unit.
FANNIE MAE OR FNMA	A New York stock exchange company. It is a public company that operates under a federal charter and is the nation's largest source of financing for home mortgages. Fannie Mae does not lend money directly to consumers, but instead works to ensure that mortgage funds are available and affordable, by purchasing mortgage loans from institutions that lend directly to consumers.
FIRST CERTIFICATE OF OCCUPANCY	As defined in Section 401 of the Planning Code.
FIRST CONSTRUCTION DOCUMENT	As defined in Section 401 of the Planning Code.
FIRST-TIME HOMEBUYER	As defined in Section 401 of the Planning Code and further defined in Section II of this Manual.
FIRST-TIME HOMEBUYER EDUCATION WORKSHOP	A course designed to provide basic education to first time homebuyers offered by a counseling agency certified by MOH as listed at www.sf-moh.org.
FREDDIE MAC	Federal Home Loan Mortgage Association. An independent stock company which creates a secondary market in conventional residential loans and in FHA and VA loans by purchasing mortgages.
FRONT END RATIO	As defined in Section II of this Manual.
GROSS INCOME	As defined in Section 401 of the Planning Code.
HOA OR HOMEOWNERS ASSOCIATION	A nonprofit association that manages the common areas of a condominium or planned unit development (PUD). Unit owners pay to the association a fee to maintain areas owned jointly.
HOA OR HOME OWNERS	Monthly payments due to a Homeowners Association for the upkeep,

ASSOCIATION OR "HOA"DUES	maintenance and improvement of common areas in a residential building.
HEAD OF HOUSEHOLD	Head of Household is defined as one who pays more than half the cost of maintaining a Household for the year and there cannot appear more than one Head of Household on a given application.
HOUSEHOLD	As defined in Planning Code Section 401.
HOUSEHOLD OF LOW INCOME	As defined in Planning Code Section 401
HOUSEHOLD OF MEDIAN INCOME	As defined in Planning Code Section 401.
HOUSEHOLD OF MODERATE INCOME	As defined in Planning Code Section 401.
HOUSING UNIT	As defined in Planning Code Section 401.
INCLUSIONARY HOUSING PROGRAM ORDINANCE	Sections 415-415.9 inclusive of the San Francisco Planning Code, as amended from time to time.
LIFE OF THE PROJECT	As defined in Planning Code Section 401.
LOAN TO VALUE RATIO	The percentage of a property's value that a lender can or may loan to a borrower.
MOH	As defined in Planning Code Section 401.
MANUAL OR PROCEDURES MANUAL	As defined in Planning Code Section 401.
MARKETING CONSULTANT	A person representing a development of BMR units who markets and sells the BMR units in accordance with the procedures set forth in this Manual and by MOH.
MARKETING PLAN	A compliance procedure, described in Section V of this Manual, which requires the Project Sponsor that has a BMR Unit requirement to undertake certain measures that are directed to advertise and sell available affordable Housing Units to qualified Households.
MAXIMUM HOUSEHOLD INCOME	The maximum income allowed for a Household applying for a BMR Unit as determined by household size through the income table named 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 INCOME BY HOUSEHOLD SIZE DERIVED FROM THE UNADJUSTED AREA MEDIAN INCOME (AMI) FOR HUD METRO FAIR MARKET RENT AREA (HMFA) THAT CONTAINS SAN FRANCISCO	The table produced by MOH annually to announce AMI levels for that calendar year as published on the MOH website at www.sf-moh.org.
MAXIMUM PURCHASE PRICE	As defined in Planning Code Section 401.
MAXIMUM MONTHLY RENT	The monthly monetary consideration determined per Section II (C) paid by a BMR Renter Household for use of the designated BMR rental unit as the Household's principal residence.
MAXIMUM RESALE PRICE	The purchase price to be paid by a buyer of a BMR unit previously purchased by a Qualified Household, as calculated according to Section II (C) of this Manual.
MAYOR'S OFFICE OF HOUSING, OR MOH	As defined in Planning Code Section 401.
MINORITY COMMUNITIES	Minority communities or minority Households shall include, as a guideline, members of the following racial, ethnic, gender or otherwise specially disadvantaged groups: African-American - defined as persons of African origin. Latino - defined as persons of Mexican, Caribbean, Central American or South American origin. Asian - defined as persons of Chinese, Japanese, Korean, Pacific Islander, Samoan, Filipino, Southeast Asian or Asian Indian origin. Native American - defined as persons whose origins are of indigenous peoples of North America. Women Gay and Lesbian Individuals Families with dependents - defined as a Household with two or more persons in which the head of Household is an adult and at least one other

	Household member is an elderly or handicapped person who is financially dependent on the head of Household or a person under the age of 18 years who is related to the head of the Household by blood, marriage or adoption or related to the domestic partner by blood or adoption. Person with a disability - defined as a person who satisfied the definition of "handicapped" under Federal Fair Housing Law on the basis of presence of a long-term physical or mental impairment which substantially limits one or more of such person's major life activities including mobility, visual or hearing impairment, terminal illness or AIDS diagnosis. Elderly - defined as persons over the age of 65 years.
MOH-APPROVED FIRST-TIME HOMEBUYER EDUCATION PROVIDER	A housing counseling agency certified by MOH and listed at www.sf-moh.org.
MOH-APPROVED LENDER	A lender certified by MOH and listed at www.sf-moh.org. Approved MOH lenders must attend annual trainings for all MOH homeownership programs and be a part of an approved lending institution that pays an annual participation fee to MOH.
MOH-APPROVED REALTOR	A realtor certified by MOH and listed at www.sf-moh.org. Approved MOH realtors must attend annual trainings for the BMR Ownership Program.
MORTGAGE	A loan using a Housing Unit as collateral.
MULITPLE LISTING SERVICE OR MLS	An association of real estate agents providing for a pooling of listings and the sharing of commissions on a specified basis.
NOTICE OF SPECIAL RESTICTIONS (NSR)	As defined in Planning Code Section 401.
PLANNER	A staff member of the San Francisco Planning Department.
PLANNING APPROVAL	A general term for the Conditions of Approval, Planning Permits, Zoning Administrator determinations or other planning approvals issued for a specific housing development.
PLANNING CODE	The City and County of San Francisco Planning Code.
PLANNNG COMMISSION	As defined in Planning Code Section 401.

PLANNING DEPARTMENT	As defined in Section 401 of the Planning Code.
PRIMARY RESIDENCE	As defined in Section II (A) and III (A) of this Manual.
PRINCIPAL PROJECT	As defined in Planning Code Section 401.
PRINCIPALLY PERMITTED PROJECT	Development projects that do not require Planning Commission review in the form of a Conditional Use Permit or PUD.
PROCEDURES MANUAL OR MANUAL	As defined in Planning Code Section 401.
PROGRAM OR INCLUSIONARY HOUSING PROGRAM	As defined in Planning Code Section 401.
PROJECT	As defined in Planning Code Section 401.
PROJECT OWNER	The owner of a Project on which is subject to Planning Code Section 415 *et seq.*
PROJECT SPONSOR OR SPONSOR	As defined in Planning Code Section 401.
QUALIFYING HOUSEHOLD	As defined in Planning Code Section 401.
REDEVELOPMENT AGENCY	San Francisco Redevelopment Agency or its successor.
SRO	As defined in the Planning Code Section 890.88.
SECTION 8 OR SECTION 8 HOUSING CHOICE VOUCHER PROGRAM	A federal housing program as administered locally by public housing agencies in which a subsidy is paid to the landlord directly by the public housing agencies on behalf of the participating family.
SHORT SALE	A sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by liens against the property and the property owner cannot afford to repay the liens' full amounts, whereby the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency.
SPECIAL ASSESSMENT	A proportional fee charged to the owner by the Homeowner's Association (HOA) to cover the cost of physical improvement to the entire building.

SPOUSE	A partner in a marriage.
TRANSFER	Any voluntary or involuntary sale, assignment or transfer of any interest in a BMR Unit
TRANSFER TAX	Tax on the passing of title to property from one person (or entity) to another.
UNBUNDLED PARKING	As defined in Planning Code Section 167.
UPGRADES	Any improvement made to a Housing Unit that is purchased either through the seller of the unit or purchased by the BMR Buyer upon purchase of a Housing Unit.
USE RESTRICTION	Any restrictions imposed by the Program or the City on the use or conveyance of a Housing Unit, as set forth in the NSR, Conditions of Approval, and/or other recorded documents or associated Planning Code provisions in effect at the time of Project Approval.
UTILITY ALLOWANCE	A dollar amount established periodically by the San Francisco Housing Authority based on U.S. Department of Housing and Urban Development (HUD) standards for cost of basic utilities for Households.
ZONING ADMINISTRATOR	The Zoning Administrator for the City and County of San Francisco.

I. 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. Among other items, this section sets forth the requirements for BMR Ownership Units including the qualifications for Qualified BMR Buyers, the application process, the establishment of the initial BMR Unit sales price and resale pricing, mortgage loan requirements, title and escrow requirements, restrictions on BMR Ownership Units and BMR Owners, and documentation and enforcement of sales restrictions for BMR Ownership Units.

A. QUALIFIED BUYER

Upon initial sale and resale of a BMR Unit, a BMR Buyer must meet the qualifications set forth below and MOH will use the procedures set forth below to determine Households that qualify as BMR Buyers.

First-time Homebuyer

No member of the applicant Household may have owned any interest in a Housing Unit for a three (3) year period prior to applying to qualify for purchase of a BMR Unit restricted under the Inclusionary Housing Program. The period shall be counted backwards from the application date for the BMR Unit.

An applicant shall be deemed to have owned an interest in a Housing Unit regardless of whether or not that interest results in a financial gain, is in another state or country, or if the applicant has ever used the property as a primary residence.

Notwithstanding the forgoing, the following interests shall not, by themselves, disqualify an applicant from falling within the definition of first time homebuyer: (1) ownership of timeshares; (2) loan co-signers from previous real estate transactions; (3) appearing on title solely in the capacity as a trustee for a trust, where the trust is the legal owner of the dwelling unit; (4) being a named beneficiary of a trust that includes a Housing Unit amongst the trust assets, but only if the trustor is living at the time; and (5) ownership of shares in a limited equity co-op.

MOH may verify first-time homebuyer status by (1) reviewing mortgage deductions on the three most recent years of federal tax returns for each applicant; (2) a signed statement on the application stating homeownership status; (3) a title search; or (4) other means reasonably calculated to determine First-time Homebuyer status.

Income and Asset Requirement

Per Planning Code Section 415.6 (c), initial sale BMR Ownership Units that are provided on the site of the Principal Project will be priced to be Affordable to Qualifying Households 90% of AMI on average, unless stated otherwise in Use Restrictions for the Project. Per Planning Code Section 415.7 (d), initial sale BMR Ownership Units that are provided off-site of the Principal Project will be priced to be Affordable to Qualifying Households with a Maximum Household Income that does not exceed 70% of AMI. In the case of the initial sale BMR Ownership Units only, the Maximum Household Income shall be set 10% above the Maximum Household Income level stated in Use Restrictions for the Project, not to

exceed 120% of AMI. Maximum Household Income amounts are adjusted on an annual basis by MOH.

These Maximum Income Levels apply except in the case of BMR Units that convert from rental to ownership as described in Section V (I) of this Manual.

MOH shall calculate Household income, including an asset test, based on the methodology contained in Section IV of this Manual.

BMR Ownership Units currently being marketed may adjust their Maximum Household Income used for qualifying applicants, but not for establishing the Maximum Purchase Price, as new Maximum Household Income levels are published by MOH at the beginning of each calendar year. Should a Project Sponsor or BMR Owner wish to update the Maximum Purchase Price levels as new Maximum Household Income levels are published by MOH at the beginning of each calendar year, the BMR Unit(s) must be removed from marketing and a new pricing and marketing process must be established.

Household Definition and Requirements

As defined in Planning Code Section 401, and for the purpose of qualifying for the Program, a Household is defined as any person or persons who reside or intend to reside in the same Housing Unit.

All Spouses or Domestic Partners must be included in the Household and must appear on the application, title and loan for the BMR Unit.

100% student Households as defined under the California Tax Credit Allocation Committee Compliance Manual 2012 Chapter 17 Category 11l are not eligible for the Program except under the exceptions contained in the IRS Section 42 (i) (3) (D).

All Household members who are under 18 years of age must be the legal dependent of an adult Household member, except in the case of emancipated minors, as claimed on the most recent federal income tax return, or legal minor children of titleholders.

Household Size Determination

The size of the Household is determined by counting together every person who intends to live in the BMR Unit, regardless of age or dependency status.

All adult Household members exempted from title and loan in Section II (A) below will be counted toward Household size and must appear on the application for the BMR Unit.

Pregnant applicants will be counted as two members of a Household with verifiable medical documentation.

Verified live-in assistants and foster children may be counted toward Household size in order to determine unit size and must appear on the application for the BMR Unit but will not be counted in income determinations and may not appear on title and loan for the BMR Unit.

Temporarily absent Household members who intend to live in the BMR Unit upon return must appear on the application for the BMR Unit. Such Household members include, but are not limited to, Household members serving temporarily in the armed forces, or who are temporarily institutionalized.

Minimum Household Size

The size of a Household must be compatible with the size of the BMR Unit being purchased. A minimum of one person per bedroom is required. There is no restriction on purchasing a BMR Unit that has fewer bedrooms than the Household size; however, the Project may impose maximum Household size rules under the restrictions contained in Section II (B) of this Manual.

Occupancy Requirement

All members of the Household must occupy the BMR Ownership Unit as their primary residence, as defined by living in the BMR Unit at least 10 out of 12 months of the calendar year, and must occupy the BMR Unit within 60 days of the completion of the purchase.

Title and Loan Requirements

All adult Household members must appear as an owner or co-owner on the BMR Unit title and must co-sign for any purchase loan for the BMR Unit with the following exceptions:

(1) Legal dependents of titleholders as claimed on the most recent federal income tax return or legal minor children of titleholders. Spouses or Domestic Partners are not considered dependents;
(2) Household members younger than age 24 who are the child of a titleholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder; and,
(3) Recent immigrants with insufficient credit history as defined as a person who has been in the United States for 2 years or less as supported by entrance documentation or a sworn statement and lender documentation of the reason for loan denial, including a copy of the applicant's credit report.

First-time Homebuyer Education Workshop Requirement

All adult applicants age 18 and older must attend and complete a first-time homebuyer education workshop and receive a certificate of completion of such from a MOH-approved First-time Home Buyer Education Provider before applying for a BMR Unit. Applicants must provide a certificate of completion with the BMR application package. The certificate of completion from the workshop will be valid for two years from the date of issuance for the purpose of the Program. Applicants not required to complete the workshop include those adults who are not required to appear on the loan and title for the BMR Unit per the rules contained above in Section II (A) of this Manual.

Loan Preapproval Requirement

The applicant Household must obtain a loan preapproval from a MOH-approved Lender within the

lending guidelines explained in Section II (D) in order to apply for a BMR Unit. The loan preapproval must refer to the building and/or the BMR Unit for which the applicant Household is applying and must include all adults age 18 and older as potential borrowers unless exempted from the requirement to appear on the loan per Section II (A) of this Manual.

B. PROCESS

The following describes the process for applying for and purchasing a BMR Ownership Unit.

Application Process

New BMR Ownership Units shall be marketed for at least 45 days and resale BMR Ownership Units upon resale shall be marketed for at least 21 days, including a listing on the MOH website and local venues. Specific rules for marketing new BMR Ownership Units are contained in Section V (G) of this Manual. Specific rules for marketing resale BMR Ownership Units are contained in Section II (F) of this Manual. Applicants must submit a BMR application form and supporting documentation by a specific deadline for each BMR Ownership Unit by a specified deadline for that unit. All applications for BMR Ownership Units shall be entered into a lottery for the unit as described in Section II (B) of this Manual for initial sale and resale BMR Ownership Units.

Application Requirements

Applicants for all BMR Ownership Units must supply the following documentation to the Project Sponsor for the BMR Unit or, in the case of resale BMR Ownership Units, to the BMR Owner in order to apply for a BMR Ownership Unit:

An application from the proposed purchaser on a form specified by MOH;
Supporting documentation from all members 18 years or older of the purchaser Household, including:

Past three (3) years IRS returns;
Past three (3) years W-2 forms;
Three (3) current and consecutive pay stubs or equivalent;
Three (3) current and consecutive statements from every liquid asset account or personal cash holdings, including all custodial accounts held for minors;
Federal Tax Form T4506;
California Driver's License or State ID;
Certificate of completion of a first-time homebuyer workshop from a MOH-approved First-time Home Buyer Education Provider;
Loan preapproval for the specific BMR Unit or building from a MOH-approved Lender;
Verification of San Francisco residency or employment (only if applicable);
Copy of Certificate of Preference (only if applicable);
CalHome Citizenship Form (only if applicable).

If the application is approved, and to proceed with a BMR Unit purchase, the applicant's lender must supply the following documentation to MOH:

Lender Checklist;
Sales agreement;
Loan agreement (1003 and 1008);
Final Fair Market Appraisal;
Preliminary Title Report;
Mortgage loan commitment letter;
Good Faith Estimate (GFE);
Copy of Buyer's purchase approval letter from MOH;
City downpayment application (only if applicable).

Before proceeding with closing, the Title Company must send to MOH:

Original borrower's signed BMR Note;
Copy of signed City Deed of Trust;
Copy of signed City Declaration of Restrictions & Option to Purchase Agreement;
Copy of signed Acknowledgement of Declaration of Restrictions, Procedures Manual and Planning Code Ordinance;
Estimated Settlement Statement;
Copy of 1st lender note & deed;
Copy of 1st lender escrow instructions;
Request for Notice of Default.

After closing, the Title Company must send to MOH:

Executed BMR Note & Recorded City Deed of Trust;
Recorded City Declaration of Restrictions & Option to Purchase Agreement;
Recorded Acknowledgement of Declaration of Restrictions, Procedures Manual and Planning Code Ordinance;
Recorded Request for Notice of Default;
Final HUD-1 Statement;
ALTA Policy;
Completed sales agreement.

Changing an Application after Submission

No application changes shall be allowed after an application is submitted and after an application deadline has passed unless the change is (1) the removal of an applicant, (2) the addition of an applicant's Spouse or Domestic Partner or a new Household member in the case of an adoption or new guardianship; (3) an update of income qualification, such as a new job or a job that has ended; or (4) correction of technical errors, such as current phone number or other non-qualifying information.

Application Review Period

An application for a BMR Unit must be reviewed and approved for income qualification within the one hundred and twenty (120) days prior to the Close of Escrow of a BMR Unit.

Request for Application Reconsideration

An applicant requesting reconsideration of a disqualified application shall submit new information or documentation contesting the disqualification to MOH within 3 business days from the date of the disqualification letter and MOH shall respond by the end of a 7 business day period from the date of the disqualification letter. In the case of such request, and when such a unit is available, the Project Sponsor shall maintain one appropriately sized BMR Unit for the disqualified Household for seven (7) business days from the date of the issuance of a disqualification letter but need not hold the applicant's preferred BMR Unit.

Realtor Representation

In the case where commission is being paid to the realtor of any buyer in a Project, commission shall be paid to the realtors of all BMR Buyers. The amount paid to realtors for BMR Buyers must be comparable to fees being paid for non-BMR Buyer representation in the Project.

In the case where no buyer's realtor in a Project is provided commission for realtor representation and the Project Sponsor's realtor serves as the agent for all buyers in the Project, the Project Sponsor's agent may represent the BMR Buyer as long as that agent is a Certified Realtor and agrees to legally represent the BMR Buyer in all aspects of the transaction.

Maximum Occupancy Standard

MOH does not establish a maximum household size for BMR Units. However, the Project Sponsor may apply a maximum occupancy standard to a Household occupying a BMR Unit as long as that standard is derived from the San Francisco Housing Code Section 503(b) and as long as that review is normal and customary and applied evenly to all tenants in the building.

Selection of BMR Buyers upon Initial Sale and Resale of BMR Units

Lottery Preferences

All Households may enter the lottery for a BMR Unit. However, those Households in which one member holds a Certificate of Preference (COP) from the former Redevelopment Agency or who lives or works in San Francisco will be given preference in the lottery ranking process, with COP holders being given the highest preference.

COP holders are primarily Households previously displaced by former Redevelopment Agency action in Redevelopment Project Areas per the San Francisco Redevelopment Agency's Property Owner and Occupant Preference Program, as reprinted September 11, 2008 and effective October 1, 2008 and on file with the Clerk of the Board in File No. 080521.

If the number of BMR Units available exceeds the number of qualified applicants who hold a COP or who live or work in San Francisco, the BMR Units will become available to other qualified applicants.

Verification of Preference Qualification

To be considered a COP holder, a Household must submit a copy of the Certificate of Preference with the application. COP inquiries should be addressed to the Mayor's Office of Housing at (415) 701-5613.

To be considered a Household that lives or works in San Francisco, at least one member of the applicant Household must provide the following proof of residency or employment with the submitted application:

Verification that the applicant lives in San Francisco:
(1) One utility bill with a San Francisco address dated within the 45 days preceding the application date for the BMR Unit. Utility bills can include gas, electric, garbage or water; or
(2) Current paystubs with a San Francisco address; or
(3) A current, formal lease with a San Francisco address.

OR

Verification that the applicant works in San Francisco:
MOH shall verify that a person works in San Francisco by reviewing an applicant's paystubs. If an applicant's employer is not based in San Francisco, or if a person's paystubs do not reflect a San Francisco work address, the applicant must supply a letter from the employer stating that the person works primarily in San Francisco and demonstrate that at least 75% of their working hours are in San Francisco.

Lottery Process

The following guidelines shall be applicable to the lottery process for all BMR Ownership Units:

A non-prioritized list of interested buyers will be kept by MOH. At least twenty-one (21) days prior to a lottery for initial sale BMR Units and at least fourteen (14) days prior to a lottery for resale BMR Units, all those signed up on the list will be notified of the availability of BMR Units and invited to participate in the lottery by MOH. The general public will be invited to participate in the lottery, as well;

Applicants who submit a complete application by the application deadline for the BMR Unit(s) will receive a numbered lottery ticket whose twin ticket shall be entered into the lottery. Applications missing a complete cover application, tax forms for all adults (or other applicable tax documents), all required certificates from a MOH-approved First-time Homebuyer Education Provider, and a loan preapproval will not be entered in to the lottery;

Lotteries for BMR Units shall be held in a public, accessible location that is arranged and paid for by the Project Sponsor;

A representative of MOH shall conduct the lottery in tandem with the Project Sponsor and record the order of lottery numbers drawn;

To conduct the lottery, MOH shall pull application tickets from a vessel in rank order and record the

lottery results by application ticket number. COP holders will be drawn and ranked first, followed by applicants who live or work in San Francisco. MOH shall pull at least 10 ticket numbers for each BMR Unit available, should there be enough total applicants to do so;

Applications shall not be reviewed for eligibility before the lottery but only after the lottery ranking has been finalized;

The final lottery list shall be produced by MOH after the lottery once the lottery preferences have been clearly identified and applied;

Applicants shall be invited to attend lotteries, but attendance is not mandatory;

Lottery results shall be posted on either the MOH or Project Sponsor website but shall not include the names of applicants but only the application ticket numbers. The results of resale lotteries with 10 or fewer applicants may be announced by the Project Sponsor to each applicant rather than posting to a website.

Post-Lottery Process

Project Sponsors, MOH and BMR applicants shall adhere to the following process following the lottery for a BMR Unit:

MOH shall transmit a final lottery list to the Project Sponsor who shall notify all applicants of their position in the lottery and inform MOH of the lottery winners' intent to purchase the BMR Unit;

The Project Sponsor shall adhere to the rank order of the lottery list when offering BMR Units to lottery winners;

Applicants shall be reviewed post-lottery for Program qualifications and issued an approval or disqualification letter;

Per Section II (B) of this Manual, in the case of an request for reconsideration of a BMR application, and when such a BMR Unit is available, the Project Sponsor shall maintain one appropriately sized BMR Unit for the disqualified applicant for a seven (7) day period from the date of the issuance of a disqualification letter but need not hold the applicant's preferred BMR Unit;

To maintain the live or work lottery preference, the applicant must maintain the status of the preference from the time of the application to the time the BMR Unit is purchased.

Financing

A BMR Buyer must be granted ten (10) calendar days from date of the Program approval letter to enter into a sales contract for an available BMR Unit and must be offered at least a sixty-day (60) closing period with at least a forty-five day (45) financing contingency period within the sixty-day (60) closing period in the contract. This period can be extended if requested by the Project Sponsor or if needed to provide time for special products available to First-time Homebuyers.

Escrow

As is typical with market rate sale transactions, BMR Buyers may be required by the Project Sponsor or BMR Owner reselling a BMR Unit to work with a Title Company chosen by the Project Sponsor or BMR Owner when establishing an escrow account and finalizing the sale of the BMR Unit.

Transaction Fees for BMR Ownership Units

The Project Sponsor shall pay all usual, customary and reasonable transaction costs normally borne by the seller in a residential real estate transaction, with the following requirements:

Seller Transfer Tax shall be paid by the Project Sponsor in the case of all initial sales of BMR Units;

Seller realtor fees shall be paid by the Project Sponsor in all cases;

Buyer realtor fees shall be paid by the Project Sponsor in all cases in an amount commensurate with fees being paid for non-BMR Buyer representation in the Project per Section II (B) of this Manual.

C. ESTABLISHMENT OF INITIAL SALE AND RESALE PRICING

Pricing Process

Prior to marketing a BMR Ownership Unit for initial sale, the Project Sponsor shall transmit a copy of the Notice of Special Restrictions ("NSR"), final planning approval, approved floor plans indicating the location of the BMR Units in the building, and final HOA dues for each BMR Unit to MOH, together with a request for determination of initial sales pricing on a form provided by MOH. The pricing shall be valid for sixty (60) days and shall serve as the final pricing for the BMR Units only upon approval of the Marketing Plan for the BMR Units. However, no BMR Units shall begin marketing in one calendar year with Maximum Purchase Prices that were established in the previous calendar year.

MOH shall require the completion of a standard form in order to request BMR Unit pricing.

Income Table

The income table used to calculate the income level of a BMR Household and thereby price BMR Units shall be the table named "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" unless the Project Sponsor, with permission from MOH, offers the BMR Units at a lower income level than that required by Use Restrictions and chooses to abide by an alternate income table in doing so.

Methodology for Pricing Initial Sale Units

MOH shall calculate the initial sales price of the BMR Unit according to the following assumptions:

(1) the income limits specified in Use Restrictions;

(2) total payments of no more than thirty-three (33) percent of the gross monthly income, including payments for taxes, insurance, homeowner or association's fees and related costs;
(3) a mortgage interest rate that is the ten (10) year rolling average of 30-year interest rate data provided by Freddie Mac; and
(4) a ten percent (10%) down payment assumption.

MOH shall price initial sale BMR Units based on the income level for a Household that is one person larger than the total number of bedrooms in the BMR Unit in all cases except for studio BMR Units, which assume a one-person Household, and SRO Units, which shall be priced based on three-fourths (3/4) of the price for studio BMR Ownership Unit.

MOH shall transmit pricing information to the Project Sponsor within fifteen (15) business days of receiving a complete request for determination.

Parking Space Policy for BMR Ownership Units

Bundled Parking Policy for BMR Ownership Units

In Projects in which parking for the non-BMR units is sold or leased as a part of the sales price for any non-BMR Housing Unit, parking spaces shall be granted to BMR Buyers within the Maximum Purchase Price as established by MOH and at the same ratio of parking spaces to Housing Units in the Project overall. This policy shall apply in developments where even one parking space is included in the sales price for a non-BMR unit. All parking spaces granted to BMR Buyer Households shall be resold or re-leased with the BMR Unit upon resale.

Unbundled Parking Policy for BMR Ownership Units

In Projects in which parking is “unbundled,” or sold or leased separately from every Housing Unit in a Project, parking spaces shall be made available to BMR Buyers at the same ratio of parking spaces to Housing Units the project overall. If the Project Sponsor qualifies for the option, the Maximum Purchase Price of each BMR Unit, as determined by MOH, shall be reduced by the cost of constructing a parking space (as determined and published annually by MOH) multiplied by the ratio of parking spaces to Housing Units in the Project overall. The Project Sponsor is then allowed to charge the BMR Buyer the market rate price for the parking space as long as that price is the lowest price available for a parking space to any buyer in the Project.

In Projects in which parking for non-BMR residential units is “unbundled,” or sold or leased separately from every Housing Unit in a Project, the Project Sponsor may still choose to sell or rent the parking spaces for BMR Units within the Maximum Sales Price of the BMR Unit as established by MOH if the Project Sponsor so chooses or if the Project Sponsor is unable to provide sufficient documentation that 100% of the parking spaces in the Project are sold or rented separate from Housing Units.

The details of the unbundled parking policy for BMR Units are as follows:

Project Sponsors must offer BMR Buyers the opportunity to purchase or lease parking spaces according to the overall ratio of parking spaces to Housing Units in the Project;

In Projects in which 1:1 parking is available, the price of each BMR Unit will be lowered by a standardized amount equivalent to the cost of constructing either a structured, above-ground parking space or a below-grade parking space, exact amount to be established by MOH through cost analysis and adjusted annually;

In Projects with less than 1:1 parking availability, MOH will lower the price of each BMR Unit by an amount equivalent to the cost of constructing either a structured, above-ground parking space or a below-grade parking space multiplied by the ratio of parking spaces to Housing Units in the Project overall;

The price of each BMR Unit will be reduced regardless of the BMR Buyer's choice to purchase or lease a parking space;

BMR Buyers must be offered the opportunity to purchase or lease parking at the lowest market rate price offered to any buyer in the Project;

This policy applies only to Projects in which the parking is 100% unbundled, or sold or leased separately, from the all Housing Units in the Project. Project Sponsors choosing this option must provide proof that they have affirmatively marketed their non-BMR residential units as having unbundled parking and must alert all buyers to the fact that all Housing Units in the Project are sold or leased both with and without parking and at two respective sales prices. At a minimum, such Projects must provide non-BMR buyers with pricing materials that provide two prices for every Housing Unit, one price with parking and one price without parking, and must prove that all advertising for the non-BMR residential units either states that parking is sold separately from Housing Units or, at the very least, does not state that Housing Units in the Project are sold with a parking space included in one price;

Project Sponsors shall not charge special fees for parking to BMR Buyers that are not charged to all buyers;

The price of a parking space for a BMR Buyer must never exceed the maximum established during the initial marketing of the BMR Units, but may fall below this price for both non-BMR and BMR Buyers as long as the reduction is applied evenly to all buyers;

In buildings with less than 1:1 parking, the opportunity to purchase or lease a space will be allocated by lottery rank. All BMR Buyers must be offered the option of purchasing or leasing a parking space until all required parking spaces to be allocated to BMR Buyers are purchased or leased. Should any spaces remain after every BMR Buyer has been offered the option to purchase or lease a space, those spaces may be sold or leased to non-BMR Buyers;

A first parking space that is purchased either (1) at the same time that the BMR Unit is initially purchased or (2) purchased by a BMR Owner any time after the initial purchase of the BMR Unit shall be re-sold with the BMR Unit upon resale of the unit. The parking space shall be resold within the overall resale price as outlined in Section II (C);

BMR Buyers or BMR Owners may purchase or lease a second parking space at any time without any

restrictions placed on the Project Sponsor or the BMR Buyer BMR Owner. However, this second parking space becomes the responsibility of the BMR Owner upon resale of the BMR unit.

Pricing Methodology for BMR Units upon Resale

Except for transfers pursuant to Section II (F) of this Manual, the BMR Owner shall transfer the BMR Unit at a sales price no greater than the following amount (the "Maximum Resale Price"):

(1) The price that the BMR Owner paid for the BMR Unit upon Close of Escrow ("Base Price") adjusted only 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");
(2) The cost of eligible capital improvements completed in compliance with Section II (F) of this Manual;
(3) The cost of Special Assessments paid by the BMR Owner; plus
(4) The cost of using a Certified Realtor and Multiple Listing Service, up to 5% of the Base Price, which is before the addition of capital improvements, special assessments and realtor commission.

The current BMR Owner's purchase year is the calendar year in which the BMR Unit closed escrow. This rule applies regardless of when the BMR Unit was purchased within that calendar year. The resale pricing year is the calendar year in which the BMR Unit is being repriced.

The AMI percentage change will be based on 100% of AMI for a 4-person Household in both index years. This 4-person proxy will be applied regardless of BMR Unit size or income designation of the BMR Unit.

Example of Change in AMI Formula Pricing:

Household purchases BMR Unit in February 2008 for $300,000 and resells in July 2012. BMR Unit is a one-bedroom unit.

2008 4-person AMI = $94,300
2012 4-person AMI = $103,000
AMI change from 2008 – 2012 = 9.23%, or $27,678
New Base Price = $327,678
5% realtor commission = $16,384
Final Maximum Resale Price = $344,062

No other costs shall be recouped in the resale of a BMR Ownership Unit than those described under the Maximum Resale Price above.

A BMR Owner is not guaranteed that a buyer will purchase a BMR Unit at the Maximum Resale Price upon resale and may have to lower the resale price in order to attract a buyer. The Maximum Resale Price is simply the maximum amount that a BMR Owner may charge a BMR Buyer in a resale transaction.

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.

If the resale price as calculated above and before the addition of capital improvements and realtor commission is lower than the original purchase price for the BMR Unit, the BMR Owner may choose to resell the BMR Unit at the resale price as calculated, or at the original purchase price plus capital improvements and special assessments and realtor commission. The BMR Owner is not guaranteed that the BMR Unit will resell at the original purchase price, however.

D. FINANCING REQUIREMENTS

The purpose of the following financing requirements for BMR Ownership Units is to ensure that BMR Buyers can afford to become homeowners within commonly accepted standards and to protect the BMR Unit from foreclosure. MOH will review loans factors important to sound lending, including but not limited to the following items.

Loan Requirement

All BMR Buyers must secure a loan to finance the purchase of a BMR Unit. All loans must be secured through a MOH-approved lender.

Loan Originator

All MOH BMR Buyers must work with a MOH-approved lender to secure a first or a subsequent loan. Such lenders are listed on the MOH website at www.sf-moh.org. Approved MOH lenders must attend annual trainings for all MOH homeownership programs and be a part of an approved lending institution that pays an annual participation fee to MOH.

Loan Term

Buyers must use 30-year loans at all times, except in the case of refinance.

Loan Payment Plan

Buyers must use fixed rate loans only. Buyers cannot use negative amortizing loans, adjustable rate mortgages, “balloon payment” loans, or interest-only loans. MOH reserves the right to identify additionally prohibited loan characteristics.

Loan to Value Ratio

The maximum allowable Loan to Value Ratio is 95%.

Downpayment Requirement

Buyers must make a minimum 5% down payment, which will vary based on the sales price of the home. Of the total 5%, 3% must be the BMR Buyer’s own funds (held in a financial institution) and 2% can be

from gift funds (not yet received).

Debt Ratios

The Buyer's front-end ratio or debt-to-income ratio (i.e. monthly housing payment) must be no lower than 28% and no higher than 38% of the BMR Buyer's income. Such ratios will be determined by a BMR Buyer's lender.

The front-end ratio may include:
Principal and interest payments on the first mortgage;
Principal and interest payments, if any, on subordinate, non-deferred loans;
Real estate taxes;
Hazard insurance premium;
Flood insurance premium, is applicable;
Private mortgage insurance premium, if applicable;
Monthly Homeowners' Association Dues for condominiums.

The Buyer's back-end ratio or total debt-to-income ratio (i.e. total debt monthly payment) should not exceed 45% of the Buyer Household's income.

The back-end ratio may include:
The monthly housing payment as defined above;
Long-term installment debt beyond 10 months remaining to be paid;
Revolving accounts and lines of credit;
Alimony, child support or maintenance, if applicable.

Interest Rates

MOH will review loans for reasonable interest rates that are reflective of current trends.

Documentation of Income

Buyers must supply full income and other documentation to a lender when applying for a loan for a BMR Unit.

FICO Score

MOH 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 for a loan for a BMR Unit by a non-BMR Household member is not allowed.

Fees

All fees must be usual, customary and reasonable transaction fees normally incurred in a residential real estate transaction. Fees should be charged at Close of Escrow, if possible.

Seller Credits

Seller Credits are allowed as long as the sales price remains at or under the stated sales price and if there is no dowpayment assistance money from the City and no cash back to the BMR Buyer. Seller credit funds must be used in escrow.

Named Borrowers

All adult Household members must appear as an owner or co-owner on the BMR Unit title and must co-sign for any purchase loan for the BMR Unit with the following exceptions:

(1) Legal dependents of titleholders as claimed on the most recent federal income tax return or legal minor children of titleholders. Spouses or Domestic Partners are not considered dependents;
(2) Household members younger than age 24 who are the child of a titleholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder; and,
(3) Recent immigrants with insufficient credit history as defined as a person who has been in the United States for 2 years or less as supported by entrance documentation or a sworn statement and lender documentation of the reason for loan denial, including a copy of the applicant's credit report.

Appraisals

MOH requires a Fair Market Appraisal as a part of the lending and closing process. Lenders desiring to order an additional appraisal that compares BMR Units to other BMR Units may do for their lending purposes but such appraisal should compare BMR Units with similar characteristics, including similar AMI pricing targets.

BMR Note

Lenders should be aware of the placement of the BMR Note as defined in Section II (G) of this Manual.

Government-insured Loans

BMR Buyers may not be allowed to use government-insured loans such as FHA, Veteran's Administration loans, and other such loans at the current time as such loan programs have not agreed to accept loans that are restricted under the Program. MOH allows the use of such loans; however, such programs have not approved MOH's BMR program and therefore, have not lent to BMR Buyers under the Program.

Securitizing Loans

As securitized loans under the Program tend to be sold to the Federal National Mortgage Association ("FNMA"), BMR Buyers should ensure that lenders are either able to sell their loan to FNMA or manage the loan within the lending institution itself.

Refinancing

MOH must approve all refinancing agreements for BMR Ownership Units, including any new loans placed on the BMR Unit in any lien priority position. Owners may be permitted to refinance up to the original value of their first mortgage plus closing costs in order to obtain lower interest rates or lower monthly payments. Owners may refinance their BMR Units to withdraw cash only in an amount equal to the principal paid on the BMR Unit. MOH will not review the Household income for Program qualification upon refinancing. Owners must use a MOH-approved Lender to conduct the refinance and the new loan must be approved under the guidelines set out in Section II (D) of this Manual, including but not limited to a 95% loan to value ratio.

Home Equity Lines of Credit and Home Equity Loans

MOH does not allow BMR Owners to open Home Equity Lines of Credit but may approve a Home Equity Loan if that loan falls within the guidelines of Sections II (D) of this Manual. BMR Owners who use such programs without approval from MOH may be in violation of their Program restrictions and/or may not be allowed by MOH to refinance their BMR Unit.

Default and Foreclosure

In the event of loan default or risk of foreclosure on first mortgage, a BMR Owner must contact MOH to alert MOH of the default within 30 days of the default.

BMR Units that fall into foreclosure must be resold under their current restrictions. The Baseline Price used to resell a BMR Unit that was purchased by the primary lender at auction shall be the price paid at auction or the balance of the outstanding debt of the primary mortgage, whichever is higher.

In the event of a foreclosure, only a Qualified Buyer can purchase the BMR Unit at the foreclosure sale, with the exception of the first mortgage lender, who must then resell the BMR Unit to a Qualified Buyer.

See Section G of this Manual for information on the order of liens for a BMR Ownership Unit.

Short Sales

In the case of BMR Units that have not received loan assistance from the City, MOH will consent to a short sale request, provided that the short sale price does not exceed the Maximum Purchase Price allowed under the Program. The BMR Owner has the discretion to lower the purchase price to any chosen amount below the maximum purchase price allowed under the Program.

In the case of Units that have received loan assistance from the City, MOH will only consent to a short sale request if allowed under the specific regulations governing the source of the City loan assistance. BMR Owners should refer to the specific guidelines associated with such sources outside of this Manual.

Financing Additional Items upon Purchase

A loan for a BMR Unit shall not include storage units, other additional spaces for sale, or second parking spaces that were not provided with the BMR Unit as a part of the purchase of the BMR Unit. Such items and spaces will not be included in a BMR Unit resale and are the sole responsibility of a BMR Owner.

BMR Unit upgrades may not be financed as a part of a BMR Unit purchase and can never be added to the resale price of a BMR Ownership Unit that was purchased upon initial sale of the unit or within the first 10 years of the initial sale of the BMR Unit, as explained in Section II (F) of this Manual.

Exception for BMR Units Unable to Obtain Financing

When a BMR Unit is unable to secure financing upon resale due to pending litigation in the Project or due to a ratio of rental to ownership Housing Units in the Project that is unacceptable to lenders, and whose BMR Owners must sell their BMR Unit due to financial hardship or job relocation out of the Bay Area, such BMR Unit may be eligible for an allowance to sell the BMR Unit to a Buyer who will pay cash for the unit rather than by obtaining a mortgage. This allowance differs from MOH's standard policy which requires that all BMR Buyers carry a mortgage on a BMR Unit.

Under this option, a BMR Buyer would be allowed to purchase the BMR Unit in cash and not carry a mortgage under the following rules. However, financing is allowed and encouraged in the case of these Projects, should it be obtained. All such financing must be secured through a MOH-approved Lender.

The process of selling a BMR unit to an all-cash buyer shall follow the ensuing requirements and process:

(1) After purchasing the BMR Unit in all cash, the Buyer's remaining monthly housing costs must equal no more than 38% of the Household monthly income. These costs include HOA dues, real estate taxes and home insurance as well as those set forth in Section II ( ) of this Manual. Settlement or trust funds may be used to determine the BMR Buyer's ability to meet monthly housing costs. BMR Buyers shall provide a credit report to verify any debt liabilities as well as other documents requested by MOH to confirm debt to loan ratios;

(2) The Buyer must be at or below the Maximum Income Level for the BMR Unit;

(3) In the case of cash purchases only, to gather a more comprehensive picture of a Household's true earnings, and to avoid selling a BMR Unit to a Household that is only temporarily low-income, MOH will average the past three years of federal tax income (in addition to the standard income test) to determine Household income. This method will present a more realistic picture of a Household's income. In the case that a Household has become recently retired or disabled, MOH may seek documentation of such and revert back to the current income review standard;

(4) MOH will exempt the cash assets that are used to purchase a BMR Unit from the standard asset test for the Household;

(5) BMR Buyers applying gift funds toward the purchase of the BMR Unit must supply a Gift Letter and verification of funds with the application for the BMR Unit.

Realtors should inform all potential BMR Buyers of the one-time nature of these policies and that the BMR Unit must be sold through the regular procedures of this Manual upon resale and inform potential BMR Buyers of the lawsuit pending against the Project or to the current rental to ownership unit ratio that is disallowing financing on the BMR Unit.

In the absence of a lender, the realtor for a BMR owner selling under this allowance shall coordinate all processes and deliver all forms typically provided by a Lender, including but not limited to a Fair Market Appraisal, credits reports and a Preliminary Title Report.

BMR Owners intending to obtain one of these allowances must submit a form provided by MOH and receive permission from MOH before selling to a cash BMR Buyer.

E. TITLE AND ESCROW REQUIREMENTS

Named Titleholders

All adult Household members must appear as an owner or co-owner on the BMR Unit title and must co-sign for any purchase loan for the BMR Unit with the following exceptions:

(1) Legal dependents of titleholders as claimed on the most recent federal income tax return or legal minor children of titleholders. Spouses or Domestic Partners are not considered dependents;
(2) Household members younger than age 24 who are the child of a titleholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder; and
(3) Recent immigrants with insufficient credit history as defined as a person who has been in the United States for 2 years or less as supported by entrance documentation or a sworn statement and lender documentation of the reason for loan denial, including a copy of the applicant's credit report.

Vesting

BMR Units may be vested in any form as long as all titleholders also appear on title as a fee owner for the BMR Unit.

F. RESTRICTIONS ON BMR OWNERSHIP UNITS AND OWNERS

Term of Restriction

All BMR Ownership Units are restricted in their resale price and other applicable restrictions for the Life of the Project unless otherwise noted in Use Restrictions for the Project.

Occupancy Requirements

BMR Ownership Units are to be owner-occupied and used as the owner's primary residence as defined by living in the BMR Unit at least 10 out of 12 months of the calendar year. The BMR Household must occupy the BMR Unit within 60 days of the completion of the purchase.

Rental Prohibition

BMR Units are not to be used as rental property. An owner of a BMR Unit may not rent or sublease any part or the entire BMR Unit without prior written consent of MOH.

MOH may grant consent to a BMR Owner to rent in circumstances where the Household is forced to temporarily relocate due to employment requirements; where the BMR Owner is unable to sell a BMR Unit at the original purchase price or at the original purchase price plus the Change in AMI repricing methodology per Section II (C) of this Manual; or for other reason deemed acceptable by MOH in its sole discretion, provided that:

(1) The total period for which the BMR Unit may be leased does not exceed twelve (12) months;

(2) The tenant satisfies the income requirements placed on the BMR Unit by Use Restrictions and of this Manual for the Unit as a BMR Ownership Unit and other qualifying Household requirements placed on the BMR Unit by Use Restrictions and of this Manual for the Unit as a BMR Rental Unit;

(3) Initial rent does not exceed the Maximum Monthly Rent, calculated according to the Maximum Household Income stated in the Use Restrictions for the Unit as a BMR Ownership Unit, or the BMR Owner's total housing expenses, as defined in Section I of this Manual, whichever is the lesser amount.

Maintenance and Insurance

The BMR Owner shall not destroy or damage the BMR Unit, allow the BMR Unit to deteriorate, or commit waste on the BMR Unit. Owners shall maintain the BMR Unit in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances shall be in good and working order.

Transfer Procedures

A BMR Owner may Transfer the BMR Unit only to a Qualified Buyer. In connection with a proposed Transfer, Owner shall comply with the marketing and procedural requirements set forth in Section II (F) of this Manual. Excepting Transfers by foreclosure or an Acquisition Lender's acceptance of a Deed in Lieu of Foreclosure, or other circumstances approved by MOH, all Transfers shall take place through an escrow account with a mutually acceptable Title Company. No Transfer shall be permitted unless such title company complies with any and all escrow instructions provided by MOH.

Transfer to Spouse or Domestic Partner

If a BMR Owner marries or becomes a Domestic Partner after purchasing the BMR Unit, the Spouse or Domestic Partner may become a co-Owner. An Owner intending to add a Spouse or Domestic Partner as a co-Owner must present his or her marriage certificate or Domestic Partnership registration to MOH for review, and the proposed co-Owner shall execute an addendum to City documents related to the BMR Unit by which the co-Owner shall assume the same rights and responsibilities with respect to those documents as the Owner.

Transfer upon Owner's Death

Upon a BMR Owner's death, the Property may be Transferred to any co-Owner previously approved by MOH without further MOH approval, but such co-Owner shall notify MOH within thirty (30) days of the Transfer and MOH may require such co-Owner to execute an addendum to City documents related to the Property by which the co-Owner shall assume the same rights and responsibilities with respect to those documents as the Owner. If at the time of Owner's death, a co-Owner has not been previously approved by the City, such co-Owner must first present his or her marriage certificate or Domestic Partnership registration to the City for review, and if the documentation is approved by the City, the Property may be Transferred to such co-Owner in accordance with the preceding sentence.

Upon the death of a BMR Owner and all MOH-approved co-Owners, the Property may be Transferred by inheritance, will, or any other function of law to a child of the BMR Owner, provided however that such child otherwise qualifies under as a Qualified Buyer Household. The proposed transferee shall submit any financial and other information reasonably requested by MOH to verify that the proposed transferee meets the requirements of a Qualified Buyer Household. If MOH determines that the proposed transferee is a Qualified Buyer Household, the BMR Unit may be Transferred to the proposed transferee for no consideration (except to the extent necessary to pay off any existing lien secured by the BMR Unit). The proposed transferee shall execute a BMR Note, City Deed of Trust, and any other City documents related to the BMR Unit by which the proposed transferee shall assume the same rights and responsibilities with respect to those documents as the BMR Owner.

Upon the death of a BMR Owner and all MOH-approved co-Owners, if the Owner's child is not the entitled beneficiary of the BMR Unit, or if MOH determines that the proposed child transferee is not an Qualified Buyer Household, then the BMR Unit shall be Transferred pursuant to the requirements set forth in Section II (F) of this Manual, and the beneficiary of the BMR Unit shall only be entitled to receive the BMR Owner's proceeds from said Transfer.

In the case of an heir who is a current Household member at the time of the death of a titleholder, that heir shall be allowed one (1) year to live in the BMR Unit before either qualifying to inherit the BMR Unit as an Qualified Buyer Household or resell the BMR Unit under the procedures outlined in Section II (F) of this Manual.

Removing a Person from Title

Removal of a titleholder is allowed only in the case of death or dissolution of marriage or Domestic Partnership. MOH must approve such removals.

Resale Restrictions and Procedures

Upon the resale of BMR Ownership Units, a BMR Owner must adhere to the following procedures:

A BMR Owner must contract with a MOH-approved realtor to resell a BMR Ownership Unit. As described in Section II (C) of this Manual, the Maximum Resale Price of the resale BMR Unit will include commission for the realtor;

MOH shall calculate the Maximum Resale Price for the BMR Unit. The BMR Owner must, at least thirty (30) days prior to marketing the BMR Unit, advise MOH of his/her intent to sell the BMR Unit and shall work through a MOH-approved Realtor to request a determination of a Maximum Resale Price from MOH. MOH shall price the BMR Unit only upon receipt of a signed intent to resell the BMR Unit and request for pricing; a statement of all approved capital improvements made to the Unit; and a signed listing agreement with a MOH-approved certified realtor. MOH may require the completion of a standard form in the submission of such request. See Section II (C) of this Manual for an explanation of how BMR Ownership Units are priced upon resale;

Within the 30-day period, MOH shall inform the BMR Owner of the Maximum Resale Price of the BMR Unit and any other conditions of sale;

The BMR Unit must be marketed for at least 21 calendar days preceding an application deadline and lottery for the BMR Unit. Among other requirements, the BMR Owner's realtor must hold at least 3 open houses, including one week night and one weekend day open house; advertise the BMR Unit on the MLS to promote public awareness; accept applications; field all questions regarding BMR Units; provide applicants with lottery ticket or number; enter applicant information into a MOH-approved applicant tracking sheet within 24 hours of application deadline; and, ensure completeness of all applications;

All potential BMR Buyers who are on the general BMR interest list shall be notified by MOH of Units available for resale and invited to participate in the lottery, as well the general public;

A public lottery will be held by MOH for all BMR Units upon resale in accordance with Section II (B) of this Manual. MOH will conduct the lottery and record the results and the BMR Owner's realtor will make the results available to all interested applicants or members of the public;

To enter the lottery for resale, a BMR Buyer shall submit to the BMR Owner's realtor for approval the documentation outlined in Section II (B) plus a completed San Francisco Purchase Agreement. To proceed with a BMR Unit purchase post-lottery, the BMR Buyer's lender and Title Company must supply MOH with the documents outlined in Section II (B) of this Manual;

No sale may proceed without the written approval of MOH;

Broker fees paid by the BMR Owner must be shared in a commission agreement with the BMR Buyer's realtor. Such fees will be based on the MOH-calculated resale price before the addition of capital improvement amounts or realtor commission;

Sales agreements with terms requiring the payment of realtor fees by the BMR Buyer will not be

approved;

No separate terms can be required within a sales agreement that requires the BMR Buyer to purchase appliances, furnishings, or other disallowed capital improvements;

All amenities and parking spaces that were purchased with the BMR Unit must be sold with the BMR Unit upon resale;

BMR Owners, BMR Buyers and realtors shall comply with the documentation and enforcement procedures set forth in Section II (G) of this Manual;

All new BMR Owners shall adhere to the requirements of this Manual;

Marketing of the resale of individual BMR Ownership Units shall be in compliance with all applicable federal, state and local laws related to Fair Housing. BMR Owners and their agents may be asked to certify that the BMR Unit has not been marketed in such a manner as to be discriminatory.

Units Unable to Resell

In the case of BMR Units that are unable to attract a buyer for a BMR Unit that has been repriced under the Change in AMI Formula within a six (6) month period where the BMR Owner has made a good faith effort to sell the BMR Unit, or in cases where market rate comparisons reveal that the BMR Owner's purchase price for the BMR Unit is at or below current comparable market rate units, the BMR Owner may seek permission to rent the BMR Unit to a Qualified Renter Household for one year at a rent level that equals either the Maximum Monthly Rent levels allowed at the ownership AMI level of the BMR Unit as stated in Use Restrictions or the BMR Owner's total housing costs (whichever is lesser) with the option of entering into one additional year of rental if the current market rate comparisons continue exceed the original purchase price.

Furthermore, MOH may, upon application by the BMR Owner, consider granting the following exceptions on a one-time basis:

(1) a one-time waiver of the First-time Homebuyer rule 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 allowance to exceed the maximum qualifying income level of the next BMR Buyer to be increased by 20% of that stated in Use Restrictions for the Project but not to exceed 120% of AMI at any time.

Owners of BMR Units that are repriced using a repricing formula other than the Change in AMI Formula must sign into this Manual in order for their BMR Unit to repriced under the Change in AMI Formula and adhere to all provisions within this Manual thereof. These allowances will not be provided to BMR Owners who are reselling their BMR Unit at a price established by any other formula than the Change in AMI Formula.

Capital Improvements and Special Assessments

BMR Units may begin claiming capital improvements toward their Maximum Resale Price that are made no sooner than 10 years after the BMR Unit was first occupied. Once the BMR Unit becomes eligible for capital improvements credit, BMR Owners may begin submitting documentation of completed work.

MOH will review all capital improvements claims and categorize them into three distinct categories: Eligible Capital Improvements, Eligible Replacement and Repair and Ineligible Costs. Each category is defined as follows:

(1) Eligible Capital Improvements include major structural system upgrades, new additions to the BMR Unit and improvements related to increasing the health, safety and energy efficiency of the property. Improvements that meet these criteria will be given 100% credit;

(2) Eligible Replacement and Repair includes 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 50% credit for repairs; and

(3) Ineligible costs include cosmetic enhancements, installations with limited useful life spans and non-permanent fixtures. Homeowners may undertake these projects at their discretion, however they will not be given capital improvements credit.

Procedure for Submitting Capital Improvements

BMR Owners must submit capital improvements to MOH for review within 6-months of the completion of the project. In order to document the improvements, each BMR Owner must submit the following documentation:

(1) A list of the capital improvements with a description on a form provided by MOH:
(2) The receipt and invoice for each eligible improvement;
(3) Proof of payment, such as a cancelled check, bank account statement or credit card bill;
(4) A copy of site or building permits, if required; and
(5) Contractor's license number for Projects exceeding $500.

Upon receipt of a complete capital improvements claim, MOH staff may arrange a site visit to inspect the completed Project. Once the improvements have been verified, MOH will send a written response to approve or deny the submitted capital improvements within 60 days of original receipt. This information will be placed in the property file at MOH for use when the property is being sold.

Special Assessments

Homeowner's Association initiated special assessments are considered capital improvements and will be added to the resale price of the home at the full amount of the special assessment paid by the BMR Owner. In order to receive credit for special assessments, homeowners must submit the following documentation within 6-months of payment:

(1) An invoice for the special assessment; and

(2) Proof of payment, such as a cancelled check, bank account statement or credit card bill.

Capital Improvements Cap

In order to maintain the affordability of the BMR Unit for subsequent buyers, MOH will approve all eligible capital improvements, eligible replacement and repair, and special assessments when submitted. At the time of sale, MOH will cap all eligible capital improvements and eligible replacement and repair at 10% of the resale price. MOH will not cap special assessments.

List of Approved Capital Improvements

Eligible Capital Improvements

Major Electrical Wiring System Upgrade
Major Plumbing System Upgrade
Room Additions
Installation of Additional Closets and Walls
Alarm System
Smoke Detectors
Removal of Toxic Substances, such as:
Asbestos
Lead
Mold/Mildew
Insulation
Upgrade to Double Paned Windows
Fireplace Glass Screen
Upgrade to Energy Star Built-In Appliances, as follows:
Furnace
Water Heater
Stove/Range
Dishwasher
Microwave Hood

Eligible Replacement and Repair

Electrical Maintenance and Repair, such as:
Switches
Outlets
Plumbing Maintenance and Repair, such as:
Faucets
Supply Line
Sinks
Flooring
Countertops
Cabinets
Bathroom Tile

Bathroom Vanity
Replacement of Built-In Appliances, as follows:
Furnace
Water Heater
Stove/Range
Dishwasher
Microwave Hood
Garbage Disposal
Window Sash
Fireplace Maintenance or In-kind Replacement (Gas)
Heating System
Lighting System (Recessed)

Ineligible Costs

Cosmetic Enhancements, such as:
Fireplace Tile and Mantel
Decorative Wall Coverings or Hangings
Window Treatments (Blinds, Shutters, Curtains, etc.)
Installed Mirrors
Shelving
Refinishing of Existing Surfaces

Non-Permanent Fixtures, such as:
Track Lighting
Door Knobs, Handles and Locks
Portable Appliances (Refrigerator, Microwave, Stove/Oven, etc.)

Installations with Limited Useful Life Spans, such as:
Carpet
Painting of Existing Surfaces
Window Glass
Light Bulbs

Estate Planning

New purchasers of BMR Units may not purchase the BM Unit through a trust of any kind, including but not limited to living trusts. Existing BMR Owners may not transfer ownership of their BMR Units to trusts of any kind, including living trusts.

G. DOCUMENTATION AND ENFORCEMENT OF SALES RESTRICTIONS FOR BMR OWNERSHIP UNITS

At the request of MOH, and at the time of the initial or any subsequent sale of a BMR Unit, the BMR Buyer shall enter into such agreements or other documents as MOH may require ensuring that the BMR Unit will be subject to the Program requirements.

These documents include the following:

Promissory Note

A BMR Buyer shall execute and deliver to the City a promissory note in a form prepared by MOH (a "BMR Note") in an original principal amount equal to the difference between (i) the appraised fair market value of the BMR Unit as determined without regard to the sales and rental restrictions on such unit at the time of resale or default, and (ii) the Maximum Purchase Price of that unit at the time of the resale or default pursuant to the Use Restrictions. All such BMR Notes shall contain the above restrictions on resale and rental of a BMR Unit. The BMR Note shall provide for a stated rate of interest.

The BMR Note shall be due and payable, in full, on either: (1) the date of a Transfer of the Unit that is not performed in compliance with this Manual and 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 applicable BMR Unit in compliance with Use Restrictions). As further described below, the BMR Note shall be terminated, and no amount shall be due, upon a resale of the BMR Unit performed in compliance with this Manual and the Use Restrictions. Any funds received by the City from the repayment of BMR Notes shall be placed in the Citywide Affordable Housing Fund.

Deed of Trust

Repayment of the BMR Note shall be secured by a deed of trust encumbering the applicable BMR Unit in a form prepared by MOH (the “City Deed of Trust”).

Declaration of Restrictions & Option to Purchase Agreement

BMR Buyers shall execute and deliver to the City a Declaration of Restrictions and Option to Purchase Agreement, a document that, among other requirements, 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 BMR Owner defaults under the terms therein.

Buyer Acknowledgment of Special Restrictions

BMR Buyers shall execute and deliver to the City an acknowledgement that they have thoroughly reviewed this Manual and the recorded Declaration of Restrictions and Option to Purchase Agreement on the BMR Unit (“the Buyer Acknowledgment of Special Restrictions”).

Function of Documents

Termination of Note and Reconveyance of Deed of Trust upon Resale

Upon any resale of a BMR Unit, assuming (1) that there has been no event of default that is continuing under the existing BMR Note, and (2) that the resale of the BMR Unit complies with this Manual and Use Restrictions, MOH shall accept a replacement BMR Note made to the order of the City by the new purchaser of the BMR Unit, in form and substance acceptable to MOH, as full satisfaction of the existing BMR Note. At the closing of the sale transaction, the deed of trust securing the existing BMR Note shall

be reconveyed by the City, and the new purchaser of the BMR Unit shall deliver to the City a new Declaration of Restrictions and Option to Purchase Agreement, a new BMR Note, and a new City Deed of Trust securing the new BMR Note, which deed of trust shall be recorded against the applicable BMR Unit.

Term of Note and Deed

For all BMR Units, the BMR Note shall have a term commencing on the date of purchase and ending on the earlier of: (1) the sale of the BMR Unit to which it pertains, or (2) a default of any of the conditions, obligations or covenants contained in the BMR Note (including without limitation the covenant to sell the applicable BMR Unit in compliance with Use Restrictions).

Order of Liens

The BMR Note shall not be subordinated to any other liens or restrictions affecting the Project or a BMR Unit to which Use Restrictions apply except for the Buyer's primary mortgage loan. The BMR Note can only be subordinated to the primary mortgage and must be in second lien priority position in all circumstances.

The restrictions imposed by Use Restrictions, and any liens recorded pursuant thereto (including but not limited to the Declaration of Restrictions and Option to Purchase Agreement), shall not be subordinated to any liens or restrictions affecting the Project or a BMR Unit to which Use Restrictions apply, including but not limited to Buyer's primary mortgage loan. In no event shall the Program restrictions applicable to a BMR Unit be subordinated to any lien against such BMR Unit, unless specifically allowed in the Use Restrictions applicable to the Unit.

Recordation of Restrictions

Before the issuance of the First Construction Document by the Department of Building Inspection, a Notice of Special Restrictions and other appropriate documentation shall be recorded with the Office of the Recorder of the City and County of San Francisco for the BMR Units in order to implement the Use Restrictions. Such restrictions and other recorded documents shall include language restricting the sale or rental of the BMR Units in accordance with Use Restrictions.

At the Close of Escrow for an individual BMR Unit, the Acknowledgement, Declaration of Restrictions and Option to Purchase Agreement, and the City Deed of Trust shall all be recorded against the BMR Unit with the Office of the Recorder of the City and County of San Francisco.

H. Monitoring of BMR Ownership Units

MOH shall monitor and require occupancy certification for BMR Ownership Units on an annual or bi-annual basis. Owner(s) of a BMR Unit will be required to submit an annual monitoring and enforcement report on a form provided by MOH and submitted on a date and at a location determined by MOH. The report shall provide information regarding occupancy status, changes in title and any other information MOH may reasonably require in order monitor compliance with the BMR Unit's specific Use Restrictions.

III. RENTAL PROGRAM

Renting a BMR Rental Unit differs in many ways from renting a market rate unit. It is important that the Project Owners and renters of BMR Rental Units understand the rules and procedures of the Program fully. Among other items, this Section sets forth the requirements for BMR Rental Units including the qualifications for BMR Renters, the application process, the establishment of the Maximum Monthly Rent; permissible reasons for Project Owners to deny a BMR Unit to a potential BMR Renter Households; permissible reasons for Project Owners to evict or fail to renew the lease of a BMR Renter Household, the lease agreement process, restrictions on BMR Rental Units and Renters, Documentation and Enforcement of Restrictions for BMR Rental Units, monitoring of BMR Rental Units, and conversion of a BMR Rental Unit to a BMR Ownership Unit.

A. QUALIFIED RENTER

The following section addresses the necessary qualifications to rent a BMR Rental Unit.

Non-homeowner Requirement

Each member of an applicant Household must establish that he/she does not own an interest in a Housing Unit as of the date of application for a BMR Rental Unit.

An applicant shall be deemed to have owned an interest in a Housing Unit regardless of whether or not that interest results in a financial gain, is in another state or country, or if they have ever used the property as a Primary Residence.

Notwithstanding the forgoing, the following interests shall not, by themselves, disqualify an applicant from falling within the definition of non-homeowner: (1) ownership of timeshares; (2) loan co-signers from previous real estate transactions; and (3) appearing on title solely in the capacity as a trustee for a trust, where the trust is the legal owner of the dwelling unit.

MOH may verify non-homeowner status by (1) reviewing mortgage deductions on the three most recent years of federal tax returns for each applicant; (2) a signed statement on the application stating homeownership status; (3) a title search; or (4) other means reasonably calculated to determine first-time homebuyer status.

Income and Asset Requirement

Per Planning Code Sections 415.6 (c) and 415.7 (d), initial rental BMR Rental Units will be priced to be Affordable to Qualifying Households at 55% of AMI, unless stated otherwise in the Use Restrictions for the Project. Maximum Household Income levels are adjusted on an annual basis.

BMR Rental Units currently being marketed may adjust their Maximum Household Income used for qualifying applicants, but not for establishing the Maximum Monthly Rent, as new Maximum Household Income levels are published by MOH at the beginning of each calendar year. Should a Project Sponsor or Project Owner wish to update the Maximum Monthly Rent levels as new Maximum Household Income levels are published by MOH at the beginning of each calendar year, the BMR Rental Units must

be removed from marketing and a new pricing and marketing process must be established.

Household Definition and Requirements

As defined in Planning Code Section 401, and for the purpose of qualifying for the Program, a Household is defined as any person or persons who reside or intend to reside in the same Housing Unit.

All Spouses or Domestic Partners must be included in the Household and must appear on the application and lease for the BMR Unit.

100% student Households as defined under the California Tax Credit Allocation Committee Compliance Manual 2012 Chapter 17 Category 11l are not eligible for the Program except under the exceptions contained in the IRS Section 42 (i) (3) (D).

All Household members who are under 18 years of age must be the legal dependent of an adult Household member, except in the case of emancipated minors, as claimed on the most recent income tax return, or legal minor children of titleholders.

Household Size Determination

The size of the Household is determined by counting together every person who intends to live in the BMR Unit, regardless of age or dependency status.

Pregnant applicants will be counted as two Household members with verifiable medical documentation.

Verified live-in assistants and foster children may be counted toward Household size in order to determine unit size and must appear on the application for the BMR Unit but will not be counted in income determinations and may not appear on the lease for the BMR Unit.

Temporarily absent Household members who intend to live in the BMR Unit upon return must appear on the application for the BMR Unit. Such Household members include, but are not limited to, Household members serving temporarily in the armed forces, or who are temporarily institutionalized.

Minimum Household Size

The size of a Household must be compatible with the size of the BMR Unit being rented. A minimum of one person per bedroom is required. There is no restriction on renting a BMR Unit that has fewer bedrooms than the Household size; however, the Project may impose maximum Household size rules under the restrictions contained in Section III (D) of this Manual.

Occupancy Requirement

All members of the BMR Household must occupy the BMR Rental Unit as their Primary Residence, as defined by living in the BMR Unit at least 10 out of 12 months of the calendar year, and must occupy the BMR Unit within 60 days of the completion of the lease commencement date.

Leaseholder Requirements

All adult Household members must appear on the lease for the BMR Unit with following exceptions:

(1) Legal dependents of leaseholders as claimed on the most recent federal income tax return or legal minor children of leaseholders. Spouses or Domestic Partners are not considered dependents; or
(2) Household members younger than age 24 who are the child of a leaseholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a leaseholder.

Should the Project require all adults to be on the lease for the BMR Rental Unit, these exceptions will not apply.

B. PROCESS

Application Process

New BMR Rental Units shall be marketed for at least a 28-day period, including a listing on the MOH website and local venues. Applicants must submit a MOH BMR rental lottery application by a specific deadline for each new BMR Rental Unit and submit a complete BMR rental application in order to qualify for a BMR Unit after the lottery. For more details on the marketing requirements for new BMR Rental Units, see Section V (G) of this Manual.

BMR Rental Units upon re-rental shall be marketed for at least 7 days, including a listing on the MOH website and local venues. All applications for BMR Rental Units upon re-rental shall be entered into a lottery as described in section II (B) of this Manual unless the Project is specifically permitted by MOH to maintain a wait list of applicants. Applicants must submit a BMR application form and supporting documentation by a specific deadline for each BMR Rental Unit**.** For more details on the marketing requirements for BMR Rental Units upon re-rental, see Section V (H) of this Manual.

Application Requirements

Households applying for new and re-rental BMR Rental Units must supply the following documentation in order to qualify for the unit:

An application from the proposed renter Household on a form specified by MOH;
Supporting documentation from all members 18 years or older of the renter Household, including:
Past one (1) year IRS returns;
Past one (1) year W-2 forms;
Three (3) current and consecutive pay stubs or equivalent;
Three (3) current and consecutive statements from every liquid asset account or personal cash holdings, including all custodial accounts held for minors;
Verification of San Francisco residency or employment (only if applicable);

Copy of Certificate of Preference (only if applicable).

In the case of new BMR Rental Units, applicants shall submit an abridged application form only and supply full income and other documentation if selected in the lottery process to proceed with a rental. In the case of re-rental BMR Rental Units, applicants shall submit a complete application within 7 days of the posting of the unit on the MOH website in order to be entered into a lottery for the unit.

To proceed with renting new and re-rental BMR Rental Units post-lottery, the Project Owner must supply a reviewed and approved application, also approved by MOH, as well as a draft lease agreement to MOH before MOH will approve the rental.

Changing an Application after Submission

No application changes shall be allowed after an application is submitted and after an application deadline has passed unless the change is (1) the removal of an applicant; (2) the addition of an applicant's Spouse or Domestic Partner or a new Household member in the case of an adoption or new guardianship; (3) an update of income qualification, such as a new job or a job that has ended; or (4) correction of technical errors, such as current phone number or other non-qualifying information.

Application Review Period

An application for a BMR Unit must be reviewed and approved for income qualification within the one hundred and twenty (120) days prior to the signing of the lease.

Request for Application Reconsideration

An applicant requesting reconsideration of a disqualified application shall submit new information or documentation contesting the disqualification to MOH within 3 business days from the date of the disqualification letter and MOH shall respond by the end of a 7 business day period from the date of the disqualification letter. In the case of such request, and when such a unit is available, the Project Sponsor shall maintain one appropriately sized BMR Unit for the disqualified Household for seven (7) business days from the date of the issuance of a disqualification letter but need not hold the applicant's preferred BMR Unit.

Fees for Applying

Project Owners shall not charge BMR Rental Unit applicants any fees for applying for a BMR Unit that (1) are not applied evenly to all tenants in the building; or (2) that are beyond actual cost.

Selection of BMR Renters upon Initial Rental and Rerental of BMR Units

Lottery Preferences

All individuals and Households may enter the lottery for a BMR Unit. However, those Households in which one member holds a Certificate of Preference (COP) from the former Redevelopment Agency or who lives or works in San Francisco will be given preference in the lottery ranking process, with COP

holders being given the highest preference.

COP holders are primarily Households previously displaced by former Redevelopment Agency action in Redevelopment Project Areas per the San Francisco Redevelopment Agency's Property Owner and Occupant Preference Program, as reprinted September 11, 2008 and effective October 1, 2008 and on file with the Clerk of the Board in File No. 080521.

If the number of BMR Rental Units available exceeds the number of qualified applicants who hold a COP or who live or work in San Francisco, the BMR Units will become available to other qualified applicants.

Verification of Preference Qualification

To be considered a COP holder, a Household must submit a copy of the Certificate of Preference with the application. COP inquiries should be addressed to the Mayor's Office of Housing at (415) 701-5613.

To be considered a Household that lives or works in San Francisco, at least one applicant must provide the following proof of residency or employment with the submitted application:

Verification that the applicant lives in San Francisco:
(1) One utility bill with a San Francisco address dated within the 45 days preceding the application date for the BMR Unit. Utility bills can include gas, electric, garbage or water; or
(2) Current paystubs with a San Francisco address; or
(3) A current, formal lease with a San Francisco address.

OR

Verification that the applicant works in San Francisco:
MOH shall verify that a person works in San Francisco by reviewing an applicant's paystubs. If an applicant's employer is not based in San Francisco, or if a person's paystubs do not reflect a San Francisco work address, the applicant must supply a letter from the employer stating that the person works primarily in San Francisco and demonstrate that at least 75% of their working hours are in San Francisco.

Lottery Process

MOH shall work in collaboration with the Project Sponsor to utilize a public lottery to select BMR Renters upon initial rental and rerental of BMR Rental Units. The following guidelines shall be applicable to the lottery process for new BMR Rental Units:

A non-prioritized list of interested applicants will be kept by MOH. At least twenty-one (21) days prior to a lottery for initial rental BMR Rental Units and at least seven (7) days prior to a lottery for rerental BMR Rental Units, all those signed up on the list will be notified of the availability of BMR Units and invited to participate in the lottery by MOH. The general public will be invited to participate in the lottery, as well;

Applicants who submit a complete application by the application deadline for the BMR Unit(s) will

receive a numbered lottery ticket whose twin ticket shall be entered into the lottery. Applications missing a complete cover application will not be entered in to the lottery;

Lotteries for BMR Rental Units shall be held in a public, accessible location that is arranged and paid for by the Project Sponsor;

A representative of MOH shall conduct the lottery in tandem with the Project Sponsor and record the order of lottery numbers drawn;

To conduct the lottery, MOH shall pull application tickets from a vessel in rank order and record the lottery results by application ticket number. COP holders will be drawn and ranked first, followed by applicants who live or work in San Francisco. MOH shall pull at least 10 ticket numbers for each BMR Unit available, should there be enough total applicants to do so;

Applications shall not be reviewed for eligibility before the lottery but only after the lottery ranking has been finalized;

The final lottery list shall be produced by MOH after the lottery once the lottery preferences have been clearly identified and applied;

Applicants shall be invited to attend lotteries, but attendance is not mandatory;

Lottery results shall be posted on either the MOH or Project Sponsor website but shall not include the names of applicants but only the application ticket numbers. The results of rerental lotteries with 10 or fewer applicants may be announced by the Project Sponsor to each applicant rather than posting to a website.

Post-Lottery Process

Following the lottery, MOH shall transmit a final lottery list to the Project Sponsor who shall notify all applicants of their position in the lottery and inform MOH of the lottery winners' intent to rent the BMR Unit;

The Project Sponsor shall adhere to the rank order of the lottery list when offering BMR Rental Units to lottery winners;

Applicants shall be reviewed by the Project Sponsor or Project Owner with MOH's approval post-lottery for Program qualifications and issued an approval or disqualification letter;

Per this section, in the case of an request for reconsideration, and when such a BMR Unit is available, the Project Sponsor shall maintain one appropriately sized BMR Unit for the disqualified Household for a seven (7) business day period from the date of the issuance of a disqualification letter but need not hold the Household's preferred BMR Unit;

To maintain the live or work lottery preference, the applicant must maintain the status of the preference from the time of the application to the time of purchasing the BMR Unit.

Annual Recertification

BMR Renters must provide annual Household income documentation to the Project Owner upon request and other information MOH may reasonably require to monitor compliance with the BMR Unit's Use Restrictions to certify continued qualification under the Program. Failure to provide such information could result in a Project Owner's inability to renew the lease of a BMR Renter. The recertification process is explained in more detail in Section III (I) of this Manual.

C. ESTABLISHMENT OF INITIAL RENTAL AND RERENTAL PRICING

Pricing Process

Prior to marketing a BMR Unit for initial rental, the Project Sponsor shall transmit a copy of the Notice of Special Restrictions ("NSR"), final planning approval and approved floor plans indicating the location of the BMR Units in the building to MOH, together with a request for determination of initial Maximum Monthly Rent on a form provided by MOH. The pricing shall be valid for sixty (60) days and shall serve as the final pricing for the BMR Rental Units only upon approval of the Marketing Plan for the BMR Units. However, no BMR Units shall begin marketing in one calendar year with rental rates that were established in the previous calendar year.

Prior to marketing a BMR Units upon rerental, the Project Owner shall contact MOH to confirm the Maximum Rent Level of the vacant BMR Rental Unit.

MOH shall require the completion of a standard form in order to request BMR Unit Maximum Monthly Rent levels.

Income Table

The income table used to calculate the income level of a BMR Household and thereby price BMR Units shall be the table named "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" as published at www.sf-moh.org unless the Project Sponsor, with permission from MOH, offers the BMR Units at a lower income level than that required by Use Restrictions and chooses to abide by an alternate income table in doing so.

Methodology for Establishing Maximum Monthly Rent Levels for BMR Rental Units

MOH shall calculate initial rent levels of the BMR Rental Unit according to the following assumptions: (1) the income limits specified in Use Restrictions; (2) total payments of no more than thirty (30) percent of gross monthly income, based on the income limits required by Use Restrictions (and not based on an individual Household's income); and (3) a Utility Allowance reduction where applicable. MOH shall assume a one-person larger Household than the number of bedrooms in the BMR Unit when establishing the rent levels of all BMR Units except for studio units, which assume a one person Household, and SRO Units, which shall be priced based on three-fourths (3/4ths) of the Maximum Monthly Rent for a studio BMR Rental Unit.

In the case of renters using a Section 8 Voucher, Project Owners may collect the fully allowed rental reimbursement amount from the Housing Authority but shall not charge the tenant a rent higher than the Maximum Monthly Rent established by MOH.

Parking Space Policy for BMR Rental Units

Bundled Parking Policy for BMR Rental Units

In Projects in which parking for the non-BMR residential units is leased as a part of the rental rate for such units, parking spaces shall be granted to BMR Renters within the Maximum Monthly Rent as established by MOH and at the same ratio of parking spaces to Housing Units for the Project overall. All parking spaces granted to BMR Renters shall be re-leased with the BMR Unit upon re-rental. This policy shall apply in cases where even one parking space is included in the rental rate for a non-BMR Unit.

Unbundled Parking Policy for BMR Rental Units

In Projects in which parking is "unbundled," or leased separately from every Housing Unit, parking spaces shall be made available to BMR Renters at the same ratio of parking spaces to Housing Units for the Project overall and the Project Owner must charge the BMR Renter a maximum monthly lease rate for parking spaces that is equivalent to either (1) a percentage of the lowest parking rate available in the Project that is determined by the average difference between Maximum Monthly Rent for BMR Units and non-BMR unit rental levels over the previous three (3) years as published annually by MOH on January 1 or (2) $100, whichever is higher. Should MOH fail to publish the average difference between Maximum Monthly Rent levels for BRM Units and non-BMR unit rental levels over the previous three (3) years for a given year, the maximum monthly lease rate for parking spaces for BMR Units for that given year shall be $100.

Project Owners choosing the unbundled parking option must provide proof that they have affirmatively marketed their non-BMR units to alert potential renters to the fact that all units in the Project are rented both with and without parking and at two respective monthly lease rates. Parking spaces not leased by BMR Renters may be made available to non-BMR renters once every space required is offered to a pending BMR Renter in the case of newly marketed BMR Units. In the case of BMR Rental Units upon re-rental, the new BMR rental should be offered the opportunity to lease a space that was leased by the previous tenant.

Methodology for Establishing Maximum Monthly Rent Levels upon Re-rental of BMR Rental Units

Rental rates for Qualified Renter Households shall not exceed the applicable amounts published in accordance with the provisions of Section II (C) of this Manual.

Permissible Rent Increases for BMR Rental Units

The Project Owner shall adjust (up or down) the Maximum Monthly Rent allowed for each BMR Renter on each anniversary of a BMR Renter's occupancy in an amount that does not exceed the amount determined by MOH based on the percent of median income established in Use Restrictions. These rents shall be made available on the MOH website at www.sf-moh.org. The Project Owner must follow

all applicable federal, state and local laws when introducing the Maximum Monthly Rent adjustment.

At no time shall an annual increase exceed the actual allowable increase for that year. In cases where the Maximum Monthly Rent level has decreased, the tenant's rent must be decreased. In cases where the annual adjustments have not been applied year to year, the Project Owner may not take advantage of any increases that were not applied until the BMR Unit is vacant and re-rented.

BMR Renters should be aware of the fact that annual rent changes are not based on the San Francisco Rent Board and that rents may exceed the rate of inflation.

Source of Annual Rent Levels for BMR Rental Units

The qualifying Household Maximum Income Limits and Maximum Monthly Rent for BMR Units shall be updated annually as soon as January 1 of each year and will be available on the MOH website at www.sf-moh.org.

Rent Subsidies

Tenants of BMR Units must be permitted to use certified long-term government and non-profit rent subsidies including but not limited to the Section 8 Rental Voucher Program. Any imposed rent-to-income standard must be based on the amount the BMR Renter pays toward the rent under such subsidy.

Additional Fees Required of Renters

Project Owners shall inform MOH of any additional required fees that will be applied to BMR Renters. Such fees will be allowed only if applied to all renters in the Project do not increase the Maximum Monthly Rent under the Program.

D. PERMISSIBLE REASONS FOR PROJECT OWNERS TO DENY BMR RENTER APPLICANTS

Project Owners may deny BMR rental applicants based on the set of criteria described below. However, MOH must review and approve such criteria before it is applied to the applicant Household.

The Project must adhere to all applicable federal, state and local standards for rental selection criteria.

Inability to Pay Rent

The Project Owner may require a rent-to-income standard for BMR Renters. However, the Project must not require any Household to earn more than 2.5 times the rent each month in gross Household income and must also make allowances for a BMR applicant to prove demonstrated ability to pay rent in an amount lower than the 2.5 ratio. If a rent subsidy is used per Section III (C)), the tenant's rent to income requirement will then be based on the amount of rent the BMR Renter pays after the rent subsidy is applied.

Credit

The Project Owner may require each adult Household member age 18 and older to clear a credit check as long as that credit check is normal and customary and applied evenly to all tenants in the building.

Eviction History

The Project Owner may require each adult Household member age 18 and older to clear an eviction history review as long as that review is normal and customary and applied evenly to all tenants in the building.

Criminal History

The Project Owner may require each Household member to clear a criminal history review as long as that review is normal and customary and applied evenly to all tenants in the building.

Maximum Occupancy Standard

MOH does not establish a maximum household size for BMR Units. However, the Project Owner may apply a maximum occupancy standard to a Household occupying a BMR Unit as long as that standard is derived from the San Francisco Housing Code Section 503(b) and as long as that review is normal and customary and applied evenly to all tenants in the building.

E. PERMISSIBLE REASONS FOR PROJECT OWNERS TO EVICT OR FAIL TO RENEW THE LEASE OF A BMR RENTER HOUSEHOLDS

A Project Owner may choose not to renew the lease of a BMR Renter Household for the following reasons only:

(1) Non-payment of rent, meaning that the BMR Renter has failed to pay the rent to which the landlord is lawfully entitled under the written agreement between the tenant and landlord;
(2) Illegal use of the BMR Unit, meaning that the tenant is using or permitting a BMR Rental Unit to be used for any illegal purpose;
(3) Nuisance, meaning that the tenant is committing or permitting to exist a nuisance in, or is causing substantial damage to, the rental unit, or is creating a substantial interference with the comfort, safety or enjoyment of the landlord or tenants in the building, and the nature of such nuisance, damage or interference is specifically stated by the landlord in the writing
(4) Breach of Lease; and
(5) Conversion of a BMR Rental Unit to a BMR Ownership Unit as defined in Section V (I) of this Manual.

The Project Owner must not renew the lease of a BMR Renter if the BMR Renter is not in conformance with Program Rules, as follows:

If a BMR Renter is violating the requirements in this Manual, including but not limited to exceeding the income maximum for recertification as explained in Section III (G) of this Manual, not meeting the

minimum Household size requirement or not occupying the BMR Unit as the Household's primary residence. MOH must review and approve any decisions not to renew the lease of a BMR Renter Household in the case of the BMR Renter violating the requirements in this Manual before the Project Owner can take such action.

F. LEASE AGREEMENT PROCESS

The Project Owner shall allow a BMR Renter no fewer than 7 calendar days from the date of the Program approval letter or Project approval of the renter, whichever occurs later and which date must be made clear to the renter at the time of final approval, to enter into a lease for an available BMR Unit and that lease shall commence no sooner than 10 calendar days from the signing unless the BMR Renter prefers to begin the lease period sooner.

G. RESTRICTIONS ON BMR RENTAL UNITS AND RENTERS

Term of Restriction

All BMR Rental Units are restricted in their re-rental rate and other applicable restrictions for the Life of the Project unless otherwise noted in Use Restrictions for the Project.

Occupancy Requirement

All members of the BMR Household must occupy the BMR Unit as their primary residence, as defined by living in the BMR Unit at least 10 out of 12 months of the calendar year, and must occupy the BMR Unit within 60 days of the completion of the lease commencement date.

Rental Prohibition

BMR Renters may not sublease the entire BMR Unit nor rent a room within the BMR Unit or part of the BMR Unit at any time.

Maintenance

BMR Renters and Project Owners shall not destroy or damage the BMR Unit, allow the BMR Unit to deteriorate, or commit waste on the BMR Unit. Renters and Owners of BMR Rental Units shall maintain the BMR Unit in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances shall be in good and working order.

Lease Changes

BMR Renters may not add or subtract any person from the lease for a BMR Rental Unit without consent from the Project Owner and from MOH. Should the Project Owner and MOH consent to the addition or subtraction of a qualified Household member in BMR Rental Unit, the new Household must submit a new application for the BMR Unit and meet the current eligibility standards for a BMR Rental Unit.

Transferring Units

Current BMR Renters may apply for other current new or re-rental BMR Rental Units but have no preference in the process, but for those outlined for all applicants in Section III (B) of this Manual, nor is a Project Owner required to make a vacant BMR Unit available for another current BMR Renter in the building.

Annual Recertification

BMR Renters must provide annual Household income documentation to the Project Owner upon request and other information MOH may reasonably require to monitor compliance with the BMR Unit's Use Restrictions to certify continued qualification under the Program. Failure to provide such information could result in a Project Owner's inability to renew the lease of a BMR Renter. The recertification process is explained in more detail in Section III (I) of this Manual.

Permissible Increase in Income

Upon annual recertification, existing BMR Renters whose income exceeds 200% the original income target as stated in Use Restrictions for the BMR Unit will no longer be considered Qualified Renter Households under the Program and are no longer qualified to occupy a BMR Unit. The Project Owner must bring the BMR Unit into compliance with the Program no sooner than the end of the current lease term of the tenant Household.

Example of 200% of Original Income Target:

Maximum AMI allowed in Use Restrictions = 55% of AMI
200% of maximum AMI allowed in Use Restrictions = 110% of AMI

H. DOCUMENTATION AND ENFORCEMENT OF RESTRICTIONS FOR BMR RENTAL UNITS

All leases must be 12-month leases.

MOH shall require specific lease language to be included in the lease, including an acknowledgement of the restrictions on the BMR Rental Unit and any monitoring procedures, including but not limited to this Procedures Manual. The material terms of the lease shall not change from year to year but for the Maximum Monthly Rent level.

All adult Household members must appear on the lease for the BMR Unit with following exception:

(1) legal dependents of leaseholders as claimed on the most recent federal income tax return or legal minor children of leaseholders. Spouses or state Domestic Partners are not considered dependents; and
(2) Household members younger than age 24 who are the child of a leaseholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a leaseholder.

Should the Project require all adults to be on the lease for the BMR Unit, these exceptions will not apply.

I. MONITORING OF BMR RENTAL UNITS

BMR Rental Units shall be monitored on an annual basis to determine the continued eligibility of the BMR Renter Household. BMR Renter Households, Project Owner(s) or those charged with the management of affordable BMR Rental Units satisfying the requirements of their Use Restrictions are required to submit an annual monitoring and enforcement report on a form provided by MOH and submitted on a date and at a location determined by MOH. The report shall provide information regarding rents, Household and income characteristics of tenants of designated BMR Units, services provided as part of the housing service such as security, parking, utilities, and any other information MOH may reasonably require for monitoring compliance with the BMR Unit's Use Restrictions.

In addition, Project Owners shall be required to recertify BMR Renters for continuing Program qualification within 365 days of the annual renewal of each BMR Renter lease. Non-renewal of the lease for a BMR Renter shall require at least a ninety (90) day notice to the BMR Renter of the lease non-renewal. Project Owners shall require existing BMR Renters to complete a new BMR application as provided by MOH at www.sf-moh.org and review such application under the application review guidelines also available at www.sf-moh.org.

Upon recertification, existing BMR Renters must meet the qualification standards for BMR Renters as contained in Section III (A), including but not limited to continuing to be income qualified per Section III (G) of this Manual, and adhering to the minimum Household size and occupancy requirements set forth in Section III (A) of this Manual. BMR Renters must also be in compliance of the Restrictions on BMR Units and Renters as contained in Section III (G) of this Manual.

BMR Renters must provide annual Household income documentation to the Project Owner upon request and other information MOH may reasonably require to monitor compliance with the BMR Unit's Use Restrictions to certify continued qualification under the Program. Failure to provide such information could result in a Project Owner's inability to renew the lease of a BMR Renter.

J. CONVERSION OF RENTAL UNIT TO OWNERSHIP UNIT

BMR Renters should be aware of the fact that a private rental building subject to this Program may choose to convert all of the BMR Units in the Project to ownership units and therefore may convert their BMR Rental Units to restricted BMR Ownership Units. See Section V (I) of this Manual for information on this process.

IV. INCOME REVIEW PROCEDURES FOR BMR OWNERSHIP AND RENTAL UNITS

A. Sources of Income

Income maximums are based on "gross" income derived from all sources as detailed in Internal Revenue Code (26 USC Section 61), whether or not exempt from federal income tax. Such income includes, but is not limited to, the following:

Compensation for services, including fees, commissions, and similar items;
Income from assets;
Gross income derived from business;
Gains derived from dealings in property;
Interest;
Rents;
Royalties;
Dividends;
Alimony and separate maintenance payments;
Annuities;
Income from life insurance and endowment contracts;
Pensions;
Income from discharge of indebtedness;
Distribution share of partnership gross income;
Income in respect of a decedent;
Income from an interest in an estate or trust; and
Public benefits including but not limited to CalWorks, SSI, Disability income.

B. Determining Baseline Household Income

MOH projects future income based on the gross income on each applicant's past three statements from each source of income. MOH must review income documentation for all Household members 18 years and older, regardless of dependency status.

Calculating Income from Paystubs

For employed applicants, annual income is derived by dividing the year-to-date gross income by the current pay period count and then by annualizing an estimated pay period amount by the total pay period count over one year.

Example of Calculating Income with Paystubs:
Year-to-date (YTD) income as stated on the most recent paystub for the calendar year = $20,000
Current pay period on most recent pay stub = 10
Estimated pay period amount = $2,000 ($20,000 divided by 10)
Total number of pay periods in one year for the applicant = 24
Annualized pay = $48,000 ($2,000 x 24)

Tips and Bonuses

When calculating income based on paystubs, tips and commission will be annualized. Bonuses will be annualized unless the applicant can provide documentation from the employer that the bonus was a one-time occurrence. In this case, the bonus amount will be removed from the annualization of the income and added in one time to the total annual income that is determined.

Seasonal Workers

MOH will not annualize current income for seasonal workers who provide a Verification of Employment from their employer(s) verifying that the work does not occur year-round.

Calculating Income from Government Income

For applicants receiving government income of any source, the income is derived by multiplying a regular monthly statement by 12 months or by referring to an annual award letter.

Calculating Income from Self-employed Income

All self-employed applicants must submit a notarized Self-Employed affidavit provided by MOH. If self-employed for 2 or more years of federal income tax returns, MOH will average net income on the 2 years of tax returns. If self-employed less than 2 years of federal tax forms, MOH will annualize the submitted Profit & Loss statement.

Calculating Income from Cash Income

In the case of an applicant who is paid in cash for employment, MOH will require a Verification of Employment from the applicant's employer to confirm annual income and IRS form 4506-T to verify that no taxes were paid.

Unemployed Applicants

Unemployed applicants who are receiving no income at all should submit an Unemployed Affidavit as provided by MOH in place of income statements. Applicants receiving unemployment benefits do not need to complete the Unemployed Affidavit as unemployment benefits are considered income.

Verification of Employment

An official Verification of Employment that is signed by an applicant's employer shall be used as the final proof of an applicant's income, if needed.

Income from Commercial Property or Land Owned

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

C. Asset Test

MOH will apply an asset test to all applicants, including all custodial accounts held for minors. Household assets up to $60,000 will not be counted toward Household income. 10% of all assets above $60,000 will be added to the total Household income.

Assets include all liquid asset accounts, including but not limited to savings, checking accounts, Certificates of Deposit, stocks, and gifts. MOH will not count qualified retirement accounts toward an applicant's income. Such retirement accounts are limited to accounts that are intended for retirement and that would incur a penalty if withdrawn before a specified retirement age per each account. Such accounts include but are not limited to 401K and 403B accounts. MOH will also not count 529 college savings toward an applicant's income.

Example of Addition of the Asset Test to Baseline Household Income:

Household of 4 earns $50,000 a year
Total Household assets = $140,000
First $60,000 of assets is excused: $140,000 - $60,000 = $80,000 remaining
10% of remaining $80,000 is added to income: $80,000 x 10% = $8,000
Total amount added to income: $8,000
New total Household income: $50,000 + 8,000 = $58,000

D. Asset Test Exemption for Seniors

For any senior aged 62 and older who is the Head of Household, MOH shall discount $127,000 from total assets prior to performing the typical imputed income calculations.

For married seniors where one person is the Head of Household and the other has been nonworking, MOH shall discount $190,000 (rather than 2x the single rate) from total assets prior to performing the typical imputed income calculations.

Any actual IRA or other retirement funds will be deducted from these amounts first. For example, if an applicant has $10,000 in an IRA, and $170,000 in non-IRA assets, MOH will reduce the waiver amount by $10,000, from $127,000 to $117,000.

The asset deduction amount will be adjusted each year based on the then-current running total as published at www.sf-moh.org.

V. PROCEDURES FOR PROJECT SPONSORS AND PROPERTY MANAGERS: GENERAL COMPLIANCE PROCEDURES

A. Approval Process

To comply with Planning Code Section 415 *et seq*., Project Sponsors will work with the Planning Department and with their assigned Planner to choose the fee or to qualify for an alternative to the Affordable Housing Fee under the Program. Project Sponsors may review information about their options at www.sf-moh.org or contact the Planning Department at 415-558-6377.

Project Sponsors must sign an Affidavit of Compliance with the Inclusionary Housing Program with the Planning Department stating their intention to pay the Affordable Housing Fee or to qualify for the on-site, off-site or land dedication alternatives before receiving entitlement from the Planning Department or, in the case of Principally Permitted Projects, before the Planning Department will approve the building permit for the Project. The assigned Planner for the Project will guide the Project Sponsor through this process and apply the current Conditions of Approval to the Project as set forth by the Planning Code and the Planning Department. The current Affidavit of Compliance is found on the Planning Department's website at:
http://www.sf planning.org/Modules/ShowDocument.aspx?documentid=8422 or by calling the Planning Department at 415-558-6377. Project Sponsors shall consult with the Planning Department and MOH to explore the off-site and land dedication options before seeking Project approval from the Planning Department.

Once a Project has received Planning Department approval in the form of an entitlement or building permit approval, the Project Sponsors shall record a Notice of Special Restrictions (NSR) that includes the Conditions of Approval under the Program, and the location of any on-site or off-site BMR Units in the case of such Projects, and transmit a copy of the recorded NSR to the Planning Department and MOH.

Following Planning Department approval of a Project subject to the Program, the Planning Department must transmit a copy of such approval plus the Affidavit of Compliance with the Inclusionary Housing Program to MOH. The Planning Department shall also enter the Project's Program requirements in a database shared with DBI, which will then ensure that the Project does not receive its First Construction Document or First Certificate of Occupancy, depending on the method of compliance, unless the Project is in conformity with the Program. If the Project Sponsor intends to pay the Affordable Housing Fee, a fee determination letter must be secured from the Mayor's Office of Housing prior to Planning Department Approval of a Building Permit Application. The Planner will then enter the Affordable Housing Fee amount in the shared database.

Further sections of this Manual provide details on the exercise of each option.

B. COMPLIANCE THROUGH PAYMENT OF THE AFFORDABLE HOUSING FEE

Project Sponsors who pay the Affordable Housing Fee ("Fee") to satisfy the Program requirements shall be charged on a per-unit size basis under a fee schedule that shall be updated annually on January 1 of each year. The Fee shall be based on the percentage requirements set forth in Planning Code Section

415. The Fee requirement shall be calculated by using the direct fractional result of the total number of units in a Project multiplied by the percentage requirement, rather than rounding up the resulting figure.

The Fee is established as the amount of the affordability gap as defined in Section 415.5 of the Planning Code.

Commencing on January 1, 2013, no later than January 1 of each year, MOH shall adjust the Fee. The Fee shall be adjusted based on the change in the Construction Cost Index as published by Engineering News Record.

The Project Sponsor shall request a Fee determination from MOH by completing a form supplied by MOH and available at www.sf-moh.org. Among other items, this form shall include:

Project Sponsor contact information;
The name and address of the Project;
The number of total units by unit size;
A copy of the recorded NSR for the Project; and
An estimate of the Fee amount due.

MOH shall provide a Fee determination letter within ten (10) business days of the receipt of the request form. The letter shall be sent to the Project Sponsor and shared with the Planning Department. The Planning Department shall enter the amount due into a database shared with DBI, who will then issue a report outlining preliminary estimates of all development impact and in-lieu fees owed for a development project and require payment of this fee before the issuance of a First Construction Document. Payments for development impact and in-lieu fees must be made at the Permit Center, DBI, 1660 Mission, 6th floor, San Francisco, CA 94103. Questions about paying the Affordable Housing Fee after MOH has issued a fee determination letter should be directed to DBI at 558-6131.

In cases in which the Project Sponsor chooses to pay the Fee once the Fee has been established by MOH but a new fee schedule has since been established since MOH's determination of the Fee amount, DBI will alert the Project Sponsor of the schedule update and the Project Sponsor will then seek an updated Fee due amount from MOH. If the Fee schedule update has occurred within 30 days of the date of the issuance of the MOH fee determination letter, the Project Sponsor may choose to pay the Fee under the prior schedule if the payment is made within such 30-day period.

Prior to issuance by DBI of the First Construction Document for the Project Sponsor, the Project Sponsor must have paid in full the sum required to DBI, or the required portion of the fee due in accordance with any fee deferral allowances permitted under Section 403 of the Planning Code.

C. COMPLIANCE THROUGH NEW CONSTRUCTION ON-SITE

When qualifying for the on-site alternative per Sections 415.3 and 415.6 of the Planning Code, the Project Sponsor may provide the number and type of BMR Units satisfying the applicable Use Restrictions through the construction of said units on the site of the Principal Project.

The Project Sponsor shall construct and, when applicable, manage the BMR Units. Per Planning Code Section 415.8 (a) (2), BMR Units shall not remain vacant for a period exceeding sixty (60) days without the written consent of MOH.

Number of Units Required

The number of BMR Units required under the on-site alternative of the Program is established by Section 415.6 of the Planning Code or by other related Planning Code sections.

Pricing and Maximum Income Levels

Per Section 415.8 (a) (4), the Maximum Income Levels specified in the Use Restrictions for the Project shall be the required income percentages for the Life of the Project, with the exception set forth in Section II (F) and V (G) of this Manual and excepting the fact that the qualifying income level for BMR Ownership Units only shall be 10% higher than the required income level used for pricing BMR Ownership Units, as explained in Section II (C) of this Manual.

See Section II (C) of this Manual for information on the pricing of BMR Ownership Units, including a description of the parking policy for such units. See Section III (C) of this Manual for information on the pricing of BMR Rental Units, including a description of the parking policy for such units.

Term of Restriction

Per Planning Code Section 415.8 (a) (1), all BMR Units constructed pursuant to Planning Code Sections 415.6 (on-site alternative) and 415.7 (off-site alternative) must remain Affordable to Qualifying Households for the Life of the Project. In some circumstances, the term of the restriction is established by sections of the Planning Code in effect at the time of Project approval or by the specific Notice of Special Restrictions recorded against the Project.

Timing of Construction and Delivery of On-site Units

Per Planning Code Section 415.6 (b), on-site BMR Units must be constructed, completed, ready for occupancy and marketed no later than the non-BMR Housing Units in the Principal Project.

Design, Size and Location of On-site Units

Per Planning Code Section 415.6 (c), all on-site BMR Units constructed must be provided as BMR Ownership Units unless the Project Sponsor meets the eligibility requirement of Section 415.5 (g). In general, BMR Units constructed under this Section 415.6 shall be comparable in number of bedrooms, exterior appearance and overall quality of construction to non-BMR Units in the Principal Project. A Notice of Special Restrictions shall be recorded prior to issuance of the First Construction Document and shall specify the number, location and sizes for all BMR Units required under this Section 415.6. The interior features in affordable units should be generally the same as those of the non-BMR Housing Units in the Principal Project, but need not be the same make, model or type of such item as long as they are of good and new quality and are consistent with then-current standards for new housing. The square footage of affordable units do not need to be the same as or equivalent to those in the non-BMR

Housing Units in the Principal Project, so long as it is consistent with then-current standards for new housing. Where applicable, parking shall be offered to the BMR Units subject to the terms and conditions of the unbundled parking policy for BMR Units as specified in this Manual and amended from time to time. On-site BMR Units shall be Ownership BMR Units unless the project applicant meets the eligibility requirement of Section 415.5(g).

Development Subsidies

Per Planning Code Section 415.6 (e), BMR Units constructed under Section 415.6 as part of an on-site Project shall not have received development subsidies from any Federal, State or local program established for the purpose of providing affordable housing, and shall not be counted to satisfy any affordable housing requirement. Other units in the same on-site project may have received such subsidies.

Per Planning Code Section 415.6 (f), notwithstanding the provisions of Section 415.6 (e), a Project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and four percent (4%) tax credits under the Tax Credit Allocation Committee (TCAC) to help fund its obligations under this ordinance as long as the project provides 20 percent (20%) of the Principal Project units as affordable at 50 percent (50%) of AMI for on-site housing. The income table to be used for such Projects when the units are priced at 50 percent (50%) of AMI is the income table used by MOH for the Inclusionary Housing Program as defined in Section I of this Manual, not that used by TCAC or CDLAC. Except as provided in this subsection, all BMR Units provided under this section must meet all of the requirements of Planning Code Section 415 *et seq.* and this Manual for on-site housing.

Marketing

See Section V (G) of this Manual for information on the marketing of initial sale BMR Units.

Monitoring

See Section V (J) of this Manual for information on the monitoring of BMR Ownership Units and BMR Rental Units.

Requirement to Record Restrictions

Per Planning Code Section 415.6 (c), a Notice of Special Restrictions shall be recorded prior to issuance of the First Construction Document and shall specify the number, location and sizes for all BMR Units required under Planning Code Section 415.6.

D. COMPLIANCE THROUGH NEW CONSTRUCTION OFF-SITE

When qualifying for the off-site alternative per Sections 415.3 and 415.7 of the Planning Code, the Project Sponsor may provide the number and type of BMR Units satisfying the Use Restrictions through the construction of said units off-site from the Principal Project.

The Project Sponsor shall construct and, when applicable, manage the BMR Units. Such BMR Units shall

not remain vacant for more than sixty (60) days at any time from the date of final completion. Off-site Projects shall maintain insurance from the Project's architect, contractor and the Project Sponsor.

Approval Process

Project Sponsors choosing the off-site option shall adhere to all requirements contained in Planning Code Section 415.7 and shall adhere to the following procedures.

If the Project Sponsor is eligible and selects pursuant to Section 415.5 (f) to provide off-site BMR Units to satisfy the requirements of Section 415.1 *et seq.*, the Project Sponsor shall notify the Planning Department and MOH of its intent as early as possible. The Planning Department and MOH shall provide an evaluation of the Project's compliance with the requirements of Section 415.5 (f) and 415.7 prior to approval by the Planning Commission or Planning Department.

The Planning Department through its designated Planner shall require the Project Sponsor to indicate the intent to satisfy the Inclusionary Housing Program requirement partially or completely through off-site BMR units on the Affidavit for Compliance with the Inclusionary Housing Program. On an additional, standardized off-site form, the Planner shall (1) define the BMR Unit percent requirement of the Project under Planning Code Section 415.7; (2) confirm that the off-site proposal meets the required BMR Unit percent requirement under Planning Code Section 415.7; (3) confirm that the off-site proposal is within one mile of the Principal Project; (4) confirm that the off-site proposal includes ownership units per Planning Code Section 417.7 (d) and, if not, that the off-site proposal qualifies as a rental project per Planning Code Section 415.5 (g); and (5) confirm that the off-site housing meets the Quality Standards for Off-site Affordable Housing Units per Section V (D) of this Manual. The Project Sponsor should deliver all site information at least 120 days prior to the scheduled Planning Commission approval hearing.

The Planner will then share the standardized off-site form with MOH. MOH will also review the off-site proposal to confirm its compliance with Section 415 *et seq.*

The Project Sponsor shall record a Notice of Special Restrictions on both the Principal Project and the off-site Project, noting the Use Restrictions of each.

Number of Units Required

The number of BMR Units required under the off-site option of the Program is established by Section 415.7 (a) of the Planning Code.

Pricing and Maximum Income Levels

Per Section 415.8 (a) (4), the Maximum Income Levels specified in the Use Restrictions for the Project shall be the required income percentages for the Life of the Project, with the exception of allowances

set forth in this Manual.

Per Section 415.7 (a) d) of the Planning Code, all off-site units constructed under this Section must be provided as BMR Ownership Units for the Life of the Project, unless the Project meets the eligibility requirement of Section 415.5 (g). Per Planning Code Section 417 (d), off-site BMR Ownership Units must be affordable to Qualifying Households earning no more than 70 percent (70%) of AMI and off-site BMR Rental Units must be affordable to Qualifying Households earning no more than 55 percent (55%) of AMI.

See Section II (C) of this Manual for an explanation of the pricing mechanism for BMR Ownership Units, including a description of the parking policy for BMR Units. See Section III (C) of this Manual for an explanation of the pricing mechanism for BMR Rental Units, including a description of the parking policy for BMR Units.

Term of Restriction

Per Planning Code Section 415 (8) (a) (1), all BMR Units constructed pursuant to Planning Code Sections 415.6 and 415.7 must remain Affordable to Qualifying Households for the Life of the Project.

Timing of Construction and Delivery of Off-site Units

Per Planning Code Section 415.7 (b), off-site BMR Units must be constructed, completed, ready for occupancy and marketed no later than the market rate units in the Principal Project. In no case shall the Principal Project be issued a First Certificate of Occupancy until the off-site project has received its First Certificate of Occupancy.

Geographic Location of Off-site BMR Units

Per Planning Code Section 415.7 (c), the Project Sponsor must ensure that off-site BMR Units are located within one mile of the Principal Project.

Quality Standards for Off-Site BMR Units

All BMR Units constructed off-site under the provisions of Section 415.7 shall be of good quality and generally equivalent to current market rate housing standards commonplace in San Francisco as determined by the Zoning Administrator in accordance with official Planning Department policy. Off-site BMR Units shall be comparable in number of bedrooms, number of bathrooms, exterior appearance and overall quality of construction to market rate units in the Principal Project, and shall meet at a minimum, or exceed, the following standards:

Individual Unit Sizes

Per Planning Code 417 (d), the total square footage of the off-site affordable units constructed under Section 415.7 shall be no less than the calculation of the total square footage of the on-site non-BMR Housing Units in the Principal Project multiplied by the relevant on-site percentage requirement for the project specified in Section 415.7. In addition, average individual BMR Unit square footages shall be no

less than 70% of the average Principal Project unit square footage for corresponding unit types classified by number of bedrooms, and in no case shall individual unit square footages be less than the following for each unit type:

Studios:	350 square feet
1-Bedrooms:	550 square feet
2-Bedrooms:	800 square feet
3-Bedrooms:	1,000 square feet
4-Bedrooms:	1,250 square feet

Exceptions to these square footage minimums may be made at the Zoning Administrator's discretion where the Principal Projects average unit size by corresponding unit type classification is less than these minimums. When using such discretion, the Zoning Administrator shall take into account any anticipated occupant for a particular development.

The average off-site BMR Unit size for a given unit type may be permitted to be less than 70% of the average size of the corresponding unit type of the Principal Project at the discretion of the Zoning Administrator on a case-by-case basis, provided there is a corresponding increase in unit numbers and all other provisions of this section are met. No reduction in the required total minimum BMR Unit square footage per Section 415.7(d) of the Planning Code shall be permitted.

Design of Off-site BMR Units

Room sizes

No required bedroom shall be smaller than 120 square feet, and at least one bedroom in every BMR Unit, except for studios, shall be a minimum of 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.

Smaller room size minimums may be permitted at the discretion of the Zoning Administrator on a case-by-case basis, if such smaller room sizes are typical of the principal Project and are consistent with current City building and housing codes.

Interior Heights

Prevailing floor-to-ceiling heights in each BMR Unit shall be no less than 8'-6". Lower ceiling heights in bathrooms, hallways, or small portions of other rooms may be permitted to allow for central heat and air ductwork where necessary, but in no case shall any ceiling height in such areas be less than 8'-0".

Kitchen and Bathroom Amenities

At a minimum, all kitchens shall have a full size four-burner cook top and full size oven, with built-in exhaust hood/microwave oven unit (or an equivalent thereof), full size kitchen sink with in-drain electric disposal, full size dishwasher, full size refrigerator/freezer, good quality upper and lower level cabinets with doors, quality counter top surfaces, and a suitable good quality floor surface. While appliances and finishes need not match or be equivalent to those in the Principal Project, they should be new and of good quality in terms of performance, durability and appearance. At the discretion of the Zoning Administrator, appliance sizes may be scaled down for studio units if such downsizing is typical of the Principal Project. For the purpose of preserving interior materials or character of older buildings or providing aesthetic compatibility therein, fully restored vintage appliances and finishes may be used as long as they are of good quality, durability, and in good working condition.

Bathrooms shall consist of a shower stall, toilet and lavatory. At least one bathroom in each unit shall have both a shower stall and standard size tub or a combination tub-shower unit.

Closets

Each Housing Unit shall have a coat closet and a linen closet, plus a closet for each bedroom. Minimum dimensions for coat closet shall be 4'X 2'. Minimum closet dimensions for required linen closet shall be 36"X 18". Minimum closet size for the first/master bedroom shall be 16 square feet with a minimum depth of two feet. Minimum closet size for each additional bedroom shall be 12 square feet with a minimum depth of two feet.

Laundry facilities

Off-site BMR Projects shall provide laundry facilities comparable to the Principal Project. Each BMR Unit shall contain laundry facilities if such facilities are provided in the Principal Project. Each floor shall contain a laundry facility if such facilities are in the Principal Project, with one full-size washer and one-full size dryer for every four units per floor. There shall be a common laundry room for the entire building if such a facility is provided in the Principal Project with one washer and one dryer unit for every eight units. Individual laundry facilities within units shall consist of both a washer and dryer unit. Studios, one- and two-bedroom units may utilize stacker units; three bedroom units and larger shall have full size laundry machine units. Laundry machines shall be new and of good quality and durability.

Finish qualities

Finish qualities throughout Housing Units and common areas including: doors; windows; wall and floor materials and finishes; bathroom finishes and fixtures; trim; hardware; lighting and

other electric features, need not match or be equivalent to that of the Principal Project, but should be new and of good quality in terms of performance, functionality, durability and appearance and should reflect current residential interior styles, except in cases where vintage styles are appropriate to the interior finish design of the building, or where it is desired to preserve historic features or finishes.

Parking

Parking provided for off-site BMR Units shall be comparable to the parking provided at the Principal Project in terms of the ratio of parking spaces to Housing Units. Should development budgets or zoning restrictions not allow such a parking arrangement, the rent or sales price of the BMR Units will be reduced to reflect the absence of the required parking spaces according to the Unbundled Parking Policy described in Section ___ of this Manual.

Zoning Administrator Discretion

Smaller room size minimums may be permitted at the discretion of the Zoning Administrator on a case-by-case basis, if such smaller room sizes are typical of the Principal Project and are consistent with current City building and housing codes.

The standards in this section may be reduced at the discretion of the Zoning Administrator on a case-by-case basis provided the intent of this section -- that all BMR Units shall be of good quality and generally equivalent to current market rate housing standards commonplace in San Francisco -- is generally being met as determined by the Zoning Administrator. Absent timely amendments to this section, requirements may be added or eliminated at the discretion of the Zoning Administrator to allow for changes in market standards or in technology. In adding or eliminating such requirements, the Zoning Administrator shall take into account the likely occupancy of the off-site BMR Units in consultation with MOH.

Development Subsidies

Per Planning Code Section 415.7 (f), individual BMR Units constructed as part of a larger off-site project under Section 415.7 shall not receive development subsidies from any Federal, State or local program established for the purpose of providing affordable housing, and shall not be counted to satisfy any affordable housing requirement for the off-site development. Other units in the same off-site project may receive such subsidies.

Per Planning Code Section 415.7 (g), notwithstanding the provisions of Section 415.7(f) above, a project may use California Debt Limit Allocation Committee (CDLAC) tax-exempt bond financing and four percent (4%) credits under the Tax Credit Allocation Committee (TCAC) to help fund its obligations under this ordinance as long as the project provides twenty five percent (25%) of the units as affordable at 50 percent (50%) of AMI for off-site housing. The income table to be used for such projects when the units are priced at 50 percent (50%) of AMI is the income table used by MOH for the Inclusionary Housing Program, not that used by TCAC or CDLAC. Except as provided in this subsection, all BMR Units provided under this section must meet all of the requirements of Planning Code Section 415 *et seq.* and this Manual for off-site housing.

Marketing

See Section V (G) of this Manual for information on the marketing of initial sale BMR Units.

Monitoring

See Section V (J) of this Manual for information on the monitoring of BMR Ownership Units and BMR Rental Units.

Requirement to Record Restrictions

Per Planning Code Section 415.6 (c), a Notice of Special Restrictions shall be recorded prior to issuance of the First Construction Document and shall specify the number, location and sizes for all BMR Units required under Planning Code Section 415.7.

E. COMPLIANCE THROUGH LAND DEDICATION IN EASTERN NEIGHBORHOODS

Project Sponsors choosing 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.

Initial Planning Department Review of Project

Prior to any project approvals from the Planning Department or Planning Commission, the Planning Department through its designated Planner shall 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 Inclusionary Housing Program.

On an additional standardized form provided by MOH, the Planner shall:

(1) define the tier and percent requirement of the Project under Section 419;

(2) 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;

(3) 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 (ie. Open spaces, streets, alleys, walkways, or other public infrastructure), easements and other parts of the land that are not developable];

(3) 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;

(4) 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;

(5) state whether the dedicated land is in the form of air rights; and

(6) note if the Section 419.5 rental incentive applies.

The Planner will then submit the standardized land dedication form to MOH.

MOH Review and Recommendation

The Project Sponsor must deliver to MOH all site information at least 120 days prior to the scheduled approval hearing by the Planning Commission. MOH will issue a denial or conditional approval letter prior to issuance of project approvals from the Planning Commission or Planning Department and after MOH 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, MOH will review the proposed land dedication to determine whether it satisfies the following requirements of Section 419.5, among others:

(1) The dedicated site will result in a total amount of inclusionary units not less than forty (40) units. MOH may conditionally approve and accept dedicated sites which result in no less than twenty-five (25) units at its discretion;

(2) 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. MOH 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;

(3) 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;

(4) The dedicated site includes or will include infrastructure necessary to serve the units, including sewer, utilities, water, light, street access and sidewalks;

(5) 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;

(6) 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 MOH.

Required Materials

In order for MOH to perform this review of the proposed land dedication site, the Project Sponsor must provide the following due diligence documents to MOH with respect to the proposed site:

(1) Preliminary Title Report dated within 30 days of submittal;
(2) Recent Land/Site Surveys;
(3) Geotechnical Report;
(4) Phase I Report;
(5) Phase II Report if hazardous materials are suspected in the Phase I Report;
(6) Cost estimate for mitigation of any hazardous materials;
(7) 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;
(8) 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;
(9) 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;
(10) 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 30% of units are 3-bedroom units;
(11) 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;
(12) Schedule for delivery of land, including estimated dates for First Construction Document, demolition, lot division, etc;
(13) 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
- 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 as that being provided by the Principal Project.

Approval Letter and Conditions

If MOH determines that the site is acceptable in accordance with Code Section 419, MOH will issue a formal approval letter. If MOH's acceptance of the site is dependent on certain conditions being satisfied prior to the conveyance of the site, MOH shall identify such conditions in the letter. At a minimum, MOH'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:

(1) 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, MOH's acceptance of the site shall also be conditioned on the Project Sponsor clearing the site of such hazardous materials to the satisfaction of MOH in its sole discretion prior to conveyance to City. Alternatively, if approved by MOH, any required environmental remediation may be able to be mitigated after conveyance within a mitigation cost standard that is determined by MOH and borne by the Project Sponsor. If MOH agrees to allow environmental remediation work to be done after conveyance, MOH's acceptance of the site shall also be conditioned on the Project Sponsor placing sufficient funds (as determined by MOH) to pay for such remediation in an escrow account concurrently with the conveyance, which funds shall be released to MOH when the environmental remediation costs are incurred.

(2) If mitigation measures relevant to the land dedication are required as part of the Principal Project's environmental clearance, MOH'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.

(3) Removal of exceptions to title deemed unacceptable to MOH shall be in its sole discretion.

(4) MOH 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 may be deemed appropriate by MOH 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 MOH.

Should MOH 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 MOH 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 MOH issues an acceptance letter, MOH and Project Sponsor will enter into a purchase and sale agreement in a form prepared by MOH (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 MOH. Upon execution of the Agreement by Project Sponsor, MOH 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 MOH. Subject to the terms of the Agreement, in the event that 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.

F. COMPLIANCE THROUGH MIDDLE INCOME ALTERNATIVE IN EASTERN NEIGHBORHOODS

MOH shall develop procedures for this compliance option with the next update of this Manual.

G. MARKETING PROCEDURES FOR INITIAL SALE AND RENTAL OF BMR UNITS

General Requirements for Marketing of all Initial Sales and Rentals of BMR Units

The Project Sponsor shall use good faith and affirmative efforts to attract potential Qualifying Owner and Qualifying Renter Households from all Minority Communities and Low-income, Median-income and Moderate-income communities through the marketing and advertising of the BMR Units. Toward that goal, the Project Sponsor shall prepare and provide to MOH a copy of the Marketing Plan for the sale or rental of the BMR Units prior to accepting applications or statements of interest for the purchase or lease of the BMR Units. No marketing or advertising material shall be distributed or published without the prior written approval of the Marketing Plan by MOH and all such materials shall be consistent with the approved Marketing Plan. Approval or disapproval of the Marketing Plan shall be made within ten (10) business days of receipt of a complete marketing plan. In instances where the Marketing Plan has

been disapproved; MOH will provide recommendations to remedy any deficiencies.

To ensure access and outreach to Minority Communities and Low-income, Median-income and Moderate-income communities, the Project Sponsor must hire as part of the marketing and outreach strategy a Marketing Agent certified by MOH as having demonstrated capacity in reaching identified targeted populations. The targeted populations will be identified by MOH based on an analysis of the demographic characteristics Low-income, Median-income and Moderate-income communities of San Francisco, and applicants to the BMR program. The Project Sponsor must also work with the MOH-approved First-time Homebuyer Education Providers to market their BMR Units. Such outreach will be prescribed by MOH in a Marketing Plan template provided by MOH.

The Project Sponsor shall submit the Marketing Plan to MOH at least thirty (30) calendar days prior to the anticipated commencement of the Project's marketing and outreach and at least one hundred and twenty days (120) prior to the anticipated close of escrow for BMR Ownership Units and lease origination dates for BMR Rental Units.

Content of Marketing Plan

MOH shall prescribe the form of the Marketing Plan and shall provide the format to the Project Sponsor for completion and submittal. Unless determined by MOH to be inapplicable to a particular Project, the Marketing Plan shall include:

The name, address, email address, and phone number of the Project Sponsor;

The name, address, email address, and phone number of the sales or rental agent(s);

An attached copy of all planning approvals, the NSR and approved floor plans associated with the Principal Project and any applicable off-site Project;

The name of the City Planner assigned to the Project;

A description of the total number of units in the Principal Project or applicable off-site Project;

A description of the total number of Market Rate units in the Project;

A description of the total number of BMR Units in the Project;

The Home Association Dues (HOA Dues) for each BMR Unit;

All amenities included in the sale or rental of the BMR Unit;

Parking available to all residential tenants in the Project;

BMR Buyer or BMR Renter qualifications;

Workshop and open house dates;

A media plan;

A strategy for marketing to residents of the immediate neighborhood;

A comprehensive strategy for reaching out to Low-income, Median-income, moderate-income and Minority Communities in San Francisco;

Dates and strategy for the application process;

Dates and strategy for the lottery selection process;

Dates and strategy for the process of working with lottery winners;

Marketing materials which clearly define Program eligibility and which specify documentation and monitoring procedures;

Notices that BMR Buyers are subject to special Use Restrictions, including an acknowledgement of these restrictions in the case of both BMR Ownership and BMR Rental Units and a sample packet of the City's escrow closing documents that each BMR Buyer will be expected to execute upon purchase in the case of a BMR Ownership Units;

Listing of BMR Ownership Units with the San Francisco Multiple Listing Service (MLS);

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 such units;

A list of community housing organizations that the Project Sponsor or the Project Sponsor's marketing representative must work with in order to meet language or cultural needs of minority communities.

Conduct of Marketing Plan

No marketing of the BMR Unit(s) shall begin until the Project Sponsor has received written approval of the Marketing Plan following confirmation from MOH of the number, type, location, and price or rent of the BMR Units and permissible income limits of purchasers or tenants, pursuant to II (C) and III (C) of this Manual.

Projects Sponsors shall submit to MOH a complete Marketing Plan in a template provided by MOH. MOH shall have ten (10) business days to review and approve the Plan. The submitted Marketing Plan should not commence any sooner than thirty (30) days from the date of the submission to MOH, as reflected in all dates set forth in the plan.

All available BMR Ownership Units must be advertised by the Project Sponsor and listed on the MOH website of available BMR Units for at least forty-five (45) days prior to the application deadline for the BMR Unit(s). All available BMR Rental Units must be advertised by the Project Sponsor and listed on the MOH website of available BMR Units for at least twenty-eight (28) days prior to an application deadline

for the BMR Unit(s).

BMR Units must be advertised in at least five (5) local newspapers that reach Minority and Low-, Median and Moderate-income Communities in San Francisco for a continuous period of at least the first three (3) weeks of the required marketing period and at least one local newspaper of general San Francisco circulation for at least two weekend days prior to the established application deadlines for the BMR Units.

Project Sponsors must hold at least three (3) open houses to show the BMR Units, with at least one open house date on a weekday evening and one open house date on a weekend. BMR Buyers or BMR Renters should be afforded the opportunity to view the BMR Units post-lottery in the same fashion as non-BMR buyers or renters in the Project.

Project Sponsors offering three or more BMR Units may be required to hold an information session open to the public in which the Project Sponsor presents the Project and explains the BMR program. Project Sponsors offering larger quantities of BMR Units may be required, at MOH's discretion, to hold additional information sessions. Information sessions for BMR Units shall be held in a public, accessible location that is arranged and paid for by the Project Sponsor.

As a part of the Marketing Plan submission, the Project Sponsor must provide a flyer for the BMR Units that must include specific information set forth in the marketing plan template and may choose to use a template flyer provided by MOH if preferred.

Project Sponsors shall pay for a mailing to Certificate of Preference holders to announce new BMR Unit offerings. The mailing shall be coordinated by MOH and MOH shall send the Project Sponsor a bill for such mailing in the amount of 10 cents a page for copying the flyer plus the price of mailing the flyer to each of the Certificate of Preference holders at the then current standard first class mail rate.

Project Sponsors shall make a Program application available to the public on their own website and in person at a designated location at the least. At the end of the required marketing period, applicants shall submit the Program application directly to the Project Sponsor by a mandated day and time. Applicants submitting an application shall be issued a lottery ticket by the Project Sponsor. A twin ticket shall be held by the Project Sponsor to be entered into the lottery if the application is deemed by MOH to be complete. The Project Sponsor, with oversight from MOH, shall evaluate the application and determine within fifteen (15) business days if the applicant meets the eligibility for a BMR Renter or BMR Owner as described in Sections II and III of this Manual.

The application deadline shall be followed by a public lottery for all new BMR Units, as described in Sections II (B) and III (B) of this Manual. The Project Sponsor shall submit to MOH within 24 hours of the application deadline a list of all lottery applicants on a spreadsheet provided by MOH. The Project Sponsor may be allowed a longer period of time to submit the applicant list in the case of larger Projects with approval from MOH. This list shall be used as the final applicant list for use in the lottery.

The Project Sponsor shall alert sales or rental staff to the BMR Units and provide such staff with a copy of this Manual and the special Use Restrictions applicable to the BMR Units.

The sales or rental programs and procedures shall not have the effect of excluding or discriminating against any person on the basis of race, religion, national origin, sex, sexual orientation, gender identity, health status, source of income such as disability insurance, social security, TANF, or any other basis prohibited by federal, state or local law.

The Equal Housing Opportunity symbol shall be displayed in a visible location at any sales of rental office, and shall be incorporated in all advertisements and printed materials.

Application Review Process

Following the publication of the lottery results, BMR applications shall be reviewed by Project Sponsors by applying the application review guidelines as described in Section V (G) of this Manual and at www.sfgov.org and presented to MOH for review before the issuance of an approval or disqualification letter to the applicants. The Project Sponsor shall verify the Household eligibility (as approved by MOH) within fifteen (15) working days of the receipt of a complete application. Should an applicant be approved by MOH and is otherwise approved, that applicant will either enter into a lease for the BMR Unit or work with an approved lender to secure a loan. In the case of BMR Ownership Units, the Project Sponsor shall submit the BMR Buyer application to MOH for approval at least sixty (60) days prior to the anticipated close of escrow. In the case of BMR Rental Units, the Project Sponsor shall submit the BMR Renter application to MOH for approval at least fifteen (15) days prior to the anticipated signing of the lease.

Inability to Find a Buyer or Renter for an Initial Sale or Initial Rental BMR Unit

In cases where, despite the Project Sponsor's good faith efforts, no eligible BMR Owner or BMR Renter has contracted to purchase or rent a BMR Unit within six (6) months after the lottery for the BMR Units, the Project Sponsor shall inform MOH, which may then increase the permissible income levels for prospective BMR Buyers or BMR Renters of that BMR Unit up to a maximum twenty (20) percent over the income percentage limit specified in Use Restrictions (but only 10% above the actual Maximum Income Level for the BMR Unit for BMR Ownership Units that are priced under this Manual), but not to exceed 120% AMI at any time, on a one-time basis only, but shall not increase any current or future permissible sales or rental price of that BMR Unit as indicated in Use Restrictions or this Manual. Project Sponsors shall inform all BMR Buyers of the one-time nature of the qualifying income increase.

H. MARKETING PROCEDURES FOR RESALE AND RERENTAL OF BMR UNITS

Marketing Procedures for Resale of BMR Units

Section II (F) of this Manual contains requirements for the marketing of BMR Ownership Units upon resale.

Marketing Procedures for BMR Rental Units upon Rerental

Maximum Monthly Rent of BMR Rental Units upon Rerental

The Project Sponsor shall notify MOH of a vacancy of a BMR Unit prior to offering the BMR Rental Units

for rent and prior to marketing the unit according to the marketing procedures set forth below.

Rental rates for qualifying Households shall not exceed the applicable Maximum Monthly Rent published in accordance with the provisions of Section III (C) of this Manual.

Marketing Procedures for BMR Rental Units upon Rerental

Marketing of BMR Rental Units upon re-rental shall be in compliance with all applicable federal, state and local laws related to fair housing rules. Project Owners may be asked to certify that the BMR Units have not been marketed in such a manner as to be discriminatory.

The rental programs and procedures shall 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.

Upon re-rental, BMR Rental Unit managers must follow the process established by MOH for re-renting BMR Units. This process includes the following:

The Project Sponsor shall inform MOH at least thirty (30) days prior to the intended lease origination date of a new BMR Renter of the availability of any such BMR Rental Unit before beginning any general marketing;

Units must be listed on the MOH website list of available BMR Units for at least a seven (7) business day period in a form provided by MOH;

Applicants must complete a MOH BMR rental application and return the application and all supporting materials to the Project Owner by the application deadline;

All applications shall be entered into a lottery for the BMR Unit as described in Section III (B) unless the Project is specifically permitted by MOH to maintain a waitlist of applicants.

I. CONVERSION OF BMR RENTAL UNITS TO OWNERSHIP UNITS

When authorized by Use Restrictions placed on a Principal Project, a BMR Rental Unit may be permitted to be converted for owner occupancy only upon satisfaction of all of the following additional conditions:

If the BMR Unit is subject to Use Restrictions specifying that the BMR Unit be a rental unit, conversion shall be subject to the approval of the Planning Commission;

The conversion from rental to condominium ownership of the BMR Unit shall be subject to any applicable City procedures, standards, fees and regulations in effect at the time of application;

The BMR Unit must be in good physical condition at the time of sale as verified by an inspection;

The Project Sponsor shall prepare and submit a Marketing Plan and conduct sales of the BMR Units in

conformity with the Requirements of this Manual in force at the time of marketing and sale;

Existing tenants shall be offered a right of first refusal to purchase the BMR Unit, which right of first refusal shall afford the tenant at least six (6) months or the balance of the existing lease period, whichever is longer, from the time of official notice to exercise the right to purchase or to vacate the unit;

Should the current BMR Renter decide to purchase the BMR Unit, such unit shall be priced at the level of affordability dictated for the current BMR Rental Unit as stated in Use Restrictions or at the actual income level of the current BMR Renter, whichever is higher;

In the case of a BMR Unit whose current BMR Renter exercises the right of first refusal, the BMR Renter must be eligible under the BMR Buyer Program and the gross annual Household income of the BMR Renter at the time of application should not exceed 120% of AMI or at the actual income level of the BMR renter, whichever is higher;

Should the current BMR Renter decide not to purchase the BMR Unit, the unit shall be priced at the level of affordability dictated for the unit as stated in the Use Restrictions for the Project had the BMR Unit initially been sold rather than rented;

Should the current BMR Renter decide not to purchase the BMR Unit, the Project Owner shall provide a relocation allowance to the current BMR Renter in an amount equal to current relocation allowances required under the San Francisco Rent Ordinance;

In the case of a BMR Unit whose current BMR Renter does not exercise the right of first refusal, the prospective purchaser must meet all of the requirements of a BMR Buyer described in Section II (A) of this Manual;

Upon conversion, the BMR Unit(s) shall record a new Notice of Special Restrictions identifying the BMR Unit as a restricted BMR Ownership Unit under the current version of Section 415 of the Planning Code;

Once converted, BMR Units shall be subject to all restrictions applicable to the marketing, sale and resale of BMR Ownership Units as set forth in this Manual, including resale restrictions as set forth in Section II (F) of this Manual.

J. MONITORING AND REPORTING PROCEDURE

Monitoring and Reporting Procedures for BMR Ownership Units

BMR Ownership Units shall be monitored according to the requirements set forth in Section II (H) of this Manual.

Monitoring and Reporting Procedures for BMR Rental Units

BMR Rental Units shall be monitored according to the requirements set forth in Section III (I) of this Manual.

K. STATISTICAL INFORMATION FOR BMR UNITS

MOH may at any time require the Project Sponsor to collect information from the owners or tenants of all BMR Units in the Project regarding their ethnicity, gender, age, and such other information as may be requested to allow MOH to verify that there have been no discriminatory practices in the selection of such tenants or owners. The collection of such information shall be conducted in a manner and using a form acceptable to MOH, ensuring that the information is being collected after the BMR Renter or BMR Owner selection process is complete, and is used solely for statistical reasons and not as the basis for making any decision regarding the qualification of a tenant or owner for occupancy of a BMR Unit.

L. DOCUMENT RETENTION POLICY

Project Sponsors of BMR Units shall retain initial application forms and Household income documentation for the greater of (1) five (5) years from the date of a BMR Renter or BMR Owner's occupancy of a BMR Unit, or (2) the duration of the tenure of the BMR Owner or BMR Renter occupying the BMR Unit. This data may be requested by MOH, along with an administrative fee if any is authorized at the time of the request.

M. CONFLICT OF INTEREST

The Project Sponsor may not sell or rent a BMR Unit to the Project architect, attorney, prime contractor, or to anyone of its or their employees, directors, officers or agents, or to any of their family members, as determined by MOH.

N. PENALTIES

Failure to comply with the requirements of Planning Code Section 415, any Use Restrictions for the Project, or the Procedures Manual may result in an enforcement action by the City including but not limited to the imposition of penalties under the Planning Code.

O. PUBLIC RECORDS

Applicants, owners, and project sponsors should be aware that any information provided to the City and County of San Francisco will be used, disseminated, and retained as needed in conducting the City's official business and may be subject to disclosure in accordance with the California Public Records Act and the San Francisco Sunshine Ordinance.