Mayors Office of Housing and Community Development
City and County of San Francisco

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Mayor

Eric D. Shaw
Director

Questions and Answers from LOSP Manual Briefing April 2022
9.13.2022

1. May we have a copy of the presentation from April 8, 2022?

This is available at https://sfmohcd.org/housing-development-forms-documents, scroll down to the bottom of the page.

2. How do sponsors insure smooth payments from MOHCD in response to our annual requests?

   a. Obtain all updated insurance certificates that are to be submitted with the annual disbursement request.
   b. Verify that there are no issues with the Grantee’s Vendor ID in the City’s vendor management system – and, for new grants, start New Vendor ID setup in advance, as this can have a long lead time.

MOHCD aims for CY disbursements to be made by January 30th. We acknowledge that in 2022, in the same year that the LOSP Manual was updated, we didn’t reach our goal. We’ll be meeting internally to document and improve our process for the upcoming year. We aim to make the FY disbursement by August 30th.

3. Is there a % income that causes someone to become ineligible for LOSP, like 140% income causes a household to become ineligible for tax credit units?

The LOSP Grant Agreement and the LOSP Manual do not set an upper limit on income eligibility. However, the other contracts with project funders, including MOHCD’s capital funding agreements, may set an upper limit on income eligibility. Project-specific analysis is required to know what applies at each project. Please consult internal compliance teams to review the most restrictive regulatory agreement to determine owner options at a given property.

4. What can be done when 30% of a LOSP recipient’s income exceeds the total rent payment due because of the deed restriction (which could be limited by MOHCD, HCD, TCAC, CDLAC, or another lender such as a member of the Federal Home Loan Bank)?
As noted above, project-specific analysis is required to know what rules apply at each project, and how to apply them. Funder agreements should be read carefully to see if any exceptions are allowable. MOHCD’s capital Loan agreements do set maximum rent limits for each unit, but there is also language that allows rent to be charged above the maximum if household income rises above the applicable income limit later in a household’s tenancy. Many units, however, have multiple funders and layers of regulatory agreements, and the most restrictive agreement is the one that applies.

5. Some operating costs are outside of the control of the operator. How should a sponsor handle a shortfall? Use the operating reserve? And then ask for replenishment of the operating reserve in the following year’s LOSP request?

MOHCD expects projects to manage operating shortfalls using all available resources, per industry best practices. Each project’s Operating Reserve and LOSP Subsidy Reserve (if there has been prior surplus) are available to cover shortfalls. Ideally, Operating Reserves should be replenished using future operating budget surplus. If the operating shortfall continues, or if the operating reserve is depleted dramatically and cannot be replenished due to lack of future operating surplus, then it may be time to request a formal LOSP Budget Increase (see page 11 of the LOSP Manual), ahead of the 15-year contract renewal date; replenishment of the Operating Reserve can also be factored into a formal LOSP Budget Increase Request.

6. Per new manual, the parent organization is responsible to fund the replenishment of the Operating Reserve. You explained that this is in line with HCD. It is true that HCD requires the replenishment of the OR when there is an OR draw. However, they don’t require replenishment if there is a deficit. HCD doesn’t require replenishment until there is cash flow that can be used to meet that requirement. This has been our experience. In reading the manual, it sounds like Org would be expected to bring OR to the min required balance due to a deficit on the LOSP side. On the call today, we wondered if MOHCD or HCD requires this, would we be able to request an LOSP budget increase in the following fiscal year to meet this requirement. Did I get this right? Could you please confirm?

Please see the response to the prior question. Please also remember that the intention during the budget setting process is that the LOSP Grant will last a full 15 years, without any need for amendment or revisions to annual disbursement amounts.

While MOHCD’s capital funding agreements do require the maintenance of a minimum balance in each Operating Reserve, MOHCD will not necessarily expect replenishment of an Operating Reserve immediately after a project has faced a need to draw on the Operating Reserve. If other project funders are less flexible and require more immediate replenishment, sponsors should not expect that LOSP will be available to replenish an Operating Reserve in the short term. Please contact MOHCD to discuss project-specific details needed for MOHCD to be able to provide appropriate guidance.
7. I noticed that the standard for timely placement for new tenants is no more than 30 days from Housing providers. I wanted to ask a question about the timeline for referrals from HSH and SFHA through the ONE system since Housing providers have noticed a potential bottleneck in the timely referrals of qualified candidates to LOSP communities. Can MOHCD staff advocate as a partner for a defined timeline from HSH and SFHA to make timely referrals to Housing providers as part of the LOSP manual?

HSH completed an evaluation of the Coordinated Entry (CE) referral process in August, and the CE Redesign process is launching this fall. We have heard that the original CE standard of 2 days to make a match was unrealistic. This has resulted in an effort to map out roles and responsibilities for a proposed, revised navigation and placement process based on learnings over the past year, including improvements made through the SIP rehousing process that are now being applied across referrals from the community queue. Please stay tuned for updates from these process improvements.

8. In a related matter, if there are material delays from timely referrals, are Housing providers able to draw from Operating Reserves to support cash flow at LOSP communities that are not able to receive timely referrals from HSH and SFHA as noted above?

Please consult the language in funding agreements regarding allowable causes to make an operating reserve withdrawal. MOHCD’s current language is excerpted below, and does allow for withdrawals to cover a shortfall caused by vacancy.

Section 12.2 (c): Borrower may withdraw funds from the Operating Reserve Account solely to alleviate cash shortages resulting from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancies and other expenses that vary seasonally or from month to month in the Project. Borrower may not withdraw funds (including any accrued interest) from the Operating Reserve Account for any other purpose without the City’s prior written approval.

9. Is there an easy way to access the new/updated Lease Addendum document?

These files are found here: https://sfmohcd.org/housing-development-forms-documents, scroll down to the bottom of the page.