San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure
Controller's Office of Public Finance

MEMORANDUM

DATE: September 9, 2022

TO: CITYWIDE AFFORDABLE HOUSING LOAN COMMITTEE

FROM: JOHNNY OLIVER, DIRECTOR OF PRESERVATION

RE: **Update to Small Sites Program Underwriting Guidelines**

I. Executive Summary

The Small Sites Program ("SSP or Program") Guidelines (the "Guidelines") attached as (**EXHIBIT A),** were originally approved as "Underwriting Guidelines" by the San Francisco Citywide Affordable Housing Loan Committee on July 18, 2014, and subsequently revised on December 8, 2014, June 1, 2015, September 30, 2016, and December 1, 2017.

MOHCD Staff is recommending the Committee approve the proposed revisions to the Guidelines which seek to update program and funding requirements in response to current market conditions. Market conditions are expected to recover to pre-pandemic levels in line with the Urban Metro Area Occupancy Rates by Q4 2022. Program funding adjustments to current market conditions also take into account a significant rise in Construction Cost, up approximately 21% in the last year alone due primarily to labor shortages and increase in Construction Material Prices up 20% in the last year..

In addition to responding to current market conditions, MOHCD is proposing the introduction of a Project Scoring Rubric ("the Rubric") (**EXHIBIT B)**, a tool developed to ensure clear, transparent project eligibility criteria. Projects must now achieve a minimum Baseline Score of 70 points to be eligible for preliminary underwriting by the MOHCD Preservation Team. Projects scoring less than 70 Baseline Points would be ineligible for Preliminary Underwriting, requiring further review and Director Approval. Introduction of the Rubric will also streamline the preliminary underwriting process allowing for more efficient project determination while ensuring sponsor's ability to remain within **COPA** (Community Opportunity to Purchase Act) **(EXHIBIT D**) timeline requirements, which are Five (5) Days from COPA Listing Notification, and Twenty-five (25) Days from Notice of Interest to enter into a Purchase Agreement, which require MOHCD approval prior to entering into purchase contract. Sponsors will now be required to demonstrate a project's financial feasibility along with its alignment to the City's Key Program Reform Goals which include:

1. Community Stabilization. Preserving projects with the highest number of San Franciscans, prioritizing Long-Term Residents, Formerly Displaced, at Risk of Displacement, Vulnerable

Populations including Transitional Aged Youth, Seniors, Persons with Disabilities, along with all other Protected Classes.

2. Geographic Equity. Expanding the Program to underserved neighborhoods preserving a wider range of household incomes, populations, and building typologies, prioritizing neighborhoods with the highest number of units removed from protected status and with the lowest percentage of Affordable Housing.
3. Housing Affordability. Prioritizing sites with a higher mix of Lower-Income Households, which in turn, serves to preserve a higher number of Middle-Income Households whose income and higher rent levels would be required for a project to meet the Program's Feasibility Requirements.
4. Maximizing City Impact. Ensuring projects meet both the social impact goals of the Program along with the Program's Feasibility Requirements and ensuring the highest number of units are preserved annually within the limits of both funding and staffing capacity.

II. Background

A. Program History

The Small Sites Program is an acquisition and preservation loan program for multi-family rental buildings of 5 to 25 units in San Francisco. The Program was created to protect and preserve long-term affordable housing in smaller properties in the City that are vulnerable to market pressures resulting in rising tenant rents, increased evictions, and property sales. In the face of this pressure on tenants and communities, the City developed the Small Sites Program, which provides financing to non-profit and for-profit entities who remove these sites from the speculative market and restrict them as affordable housing for the long term. The key program reform goals mentioned above expand on the program's original overarching goals which are to:

1. Prevent the displacement of San Franciscans by preserving housing opportunities at a range of income levels in neighborhoods throughout the City;
2. Remove vulnerable properties from the speculative market while increasing the supply of permanently affordable rental housing by restricting properties to serve households with average incomes at 80% AMI;
3. Create financially stable, self-sustaining housing that serves multiple generations of low to moderate income households by ensuring that properties remain operationally and financially healthy in the long-term.

B. Funding Sources

1. MOHCD funded $87.3 million in loans through the initial 2014 Notice of Funding Availability (NOFA) and issued an updated NOFA in 2019 for an additional $37 million in loans.

2. The Downtown Neighborhood Preservation Fund was created in 2018 with similar goals of the Small Sites Program using funds from the sale of Oceanwide Center at 50

First Street. The $33 million funding source preferences buildings over 26 units to complement the Small Sites Program.

3. The PASS Program was authorized by voters in 2016 and provides low-cost amortizing loans to fund the acquisition and preservation of affordable housing and seismic retrofits to existing buildings. The program is funded by $260.7 million in general obligation bonds.

4. Funding available for all preservation activities, including larger sites over 40 units, was approximately $30 million annually between 2017 and 2021, with one-time allocations that include General Fund revenue allocations required by voter mandates, which include the Housing Trust Fund as well as discretionary allocations by elected officials, such as one-time allocations from surplus Education Revenue Augmentation Fund (ERAF) revenue.

5. Other sources include a one-time 2019 GO Bond allocation of $34.4M, and ongoing portions of inclusionary fees including Jobs Housing Linkage Fee, Affordable Housing Fund, and Central SOMA Jobs Housing Linkage Fee. Inclusionary fees are dynamic and vary widely.

6. The Housing Stability Program Fund (the "Fund") was established in 2020 as a Category Four fund to receive any monies appropriated or donated for the purpose of providing funds for the acquisition, creation, operation, development, construction, or rehabilitation of Social Housing Developments. (SEC. 10.100-33478.) The Board of Supervisors allocated approximately $74 million of Prop I charter amendment revenue to the Housing Stability Fund targeting the acquisition of existing rental housing to protect tenants at risk of eviction.

III. Program Updates

A. Select Reformed Program terms are below. Please refer to the attached Program Regulations (**EXHIBIT A**) and related exhibits for a comprehensive list of the Program terms.

1. Per Unit Subsidy. The overall funding level for the Program determines how many units can be acquired and permanently supported through subsidy. A recent study conducted by the SF Housing Accelerator Fund, reports the average per unit cost of preservation at approximately $375k per unit. This study however did not consider recent market changes impacting the rising cost of construction, increased predevelopment loan interest rates, or the pandemic related impacts affecting rental market, which have caused a higher percentage of unit vacancies across all major metro area housing markets as reported by the Federal Housing and Finance Agency. The table below compares previous Maximum City Subsidy limits with newly proposed:

Current Maximum City Subsidy	Current Guidelines Based on Unit Count	Proposed Maximum City Subsidy	Proposed Guidelines Based on Unit Type
N/A	Per ADU studio unit	$550,000	Per ADU studio unit (additional $50,000 per bedroom added)
N/A	Per Family-Sized unit	$500,000	Per 3BD unit
$400,000	Per unit when Imminent Displacement Risk	$450,000	Per 2BD unit
$300,000	Per unit for buildings 10-25 units	$400,000	Per 1BD unit
$375,000	Per unit for buildings 3-9 units	$350,000	Per Studio unit
$175,000	Per bedroom for Group or SRO	$275,000	Per bedroom for Group or SRO
Subject to Unit Count $375k-$400k	Per Commercial Unit	Subject to Net Operating Income	Per Commercial Unit

2. Rent AMI Levels. Program reform also proposes lowering the Maximum Unit Rent at from 120% AMI to 100% AMI with the added requirement that units must be marketed 20% below market average of its surrounding neighborhood. Future program reform will consider increasing the Maximum Unit rents back to 120% AMI once market conditions have stabilized.

3. ADU Funding. Reforms to the program propose prioritizing high scoring sites with higher per unit limits that differentiate between unit type rather than just unit count. As a result, larger family-sized units will be eligible for higher funding amounts providing equitable funding for sites housing a higher number of San Francisco residents. Further program reform also considers the added cost of constructing ADU dwellings within the site's envelope allowing a project's full development potential. Increased funding towards ADU construction will ensure sponsors take advantage of underutilized building space while increasing the potential for ground-level housing, a vital housing necessity required to house our City's aging population along with other populations limited by the city's current housing stock.

4. Developer Fee. A flat developer fee will be calculated as the sum of $105,000 am increase of $25,000 from current guidelines which is payable at acquisition plus $10,000 per unit, payable at the end of rehabilitation, if rehabilitation is applicable. The portion of developer fee that is payable at the end of rehabilitation will be at-risk for costs exceeding final approved budget at commitment of financing by MOHCD. If the project's development budget is unable to support the level of developer fee indicated, sponsor may request that the remaining fee be deferred over a maximum 10-year period, payable after all other required expenses are paid but before the residual receipts split.

5. Supplemental Fee for CBO Collaboration. Sponsors who collaborate with a community-based organization to perform outreach and support for existing residents may claim an additional $1,500 per unit per year (PUPY) fee during the period of predevelopment, acquisition, and construction. Approval of such supplemental fee for CBO collaboration is subject to MOHCD's review and approval of sponsor's agreement with the collaborating community-based organization regarding outreach activities.

B. Sponsor Minimum Qualifications. Sponsors have always been required to meet minimum standard qualifications to be eligible for program funding. Reformed guidelines now include the list of Sponsor Minimum Qualifications (EXHIBIT C), as a detailed description of the program's minimum qualification requirements. Sponsors are expected to be able to demonstrate the technical capacity and experience to successfully acquire, own, rehabilitate and manage affordable housing, either through staff, contracted services, or in collaboration/joint venture with other organization.

IV. Governing Documents, Policy, and Regulations

Please refer to the attached Program Regulations and related exhibits for a comprehensive list of the Program terms:

EXHIBIT A: DRAFT Preservation Guidelines

EXHIBIT B: Preservation Program Scoring Rubric (Incorporated into the Project Proforma. The following example highlights the 4 scoring criteria.)

EXHIBIT C: Sponsor Minimum Qualifications

EXHIBIT D: Community Opportunity to Purchase Act

4. STAFF RECOMMENDATIONS

MOHCD staff recommends approval of the Reformed Preservation Guidelines (attached as EXHIBIT A).

5. LOAN COMMITTEE MODIFICATIONS

LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

______________________________________ Date: ___________________

Eric D. Shaw, Director
Mayor's Office of Housing and Community Development

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

______________________________________ Date: ___________________

Thor Kaslofsky, Executive Director
Office of Community Investment and Infrastructure

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

______________________________________ Date: ___________________

Salvador Menjivar, Housing Director
Department of Homeless and Supportive Housing

[ ] APPROVE. [ ] DISAPPROVE. [ ] TAKE NO ACTION.

______________________________________ Date: ___________________

Anna Van Degna, Director
Controller's Office of Public Finance

ATTACHMENTS:

EXHIBIT A– PRESERVATION PROGRAM GUIDELINES
EXHIBIT B– Preservation Program Scoring Rubric
EXHIBIT C– Sponsor Minimum Qualifications
EXHIBIT D– Community Opportunity to Purchase Act

Chavez, Rosanna (MYR)

From: Shaw, Eric (MYR)
Sent: Friday, September 9, 2022 11:44 AM
To: Chavez, Rosanna (MYR)
Subject: REQUEST FOR APPROVAL OF REVISIONS TO SMALL SITES PROGRAM

Approve

Eric D. Shaw
Director/ Interim Director HopeSF

Mayor's Office of Housing and Community Development
City and County of San Francisco
1 South Van Ness Avenue, 5th Floor

Chavez, Rosanna (MYR)

From:	Colomello, Elizabeth (CII)
Sent:	Friday, September 9, 2022 11:45 AM
To:	Chavez, Rosanna (MYR)
Cc:	Kaslofsky, Thor (CII); Shaw, Eric (MYR)
Subject:	Revisions to Small Sites Program Guidelines

Hi Rosie-
On behalf of OCII, I approve the subject guidelines that were presented at Loan Committee today.
Thanks-
Elizabeth

OCII office of COMMUNITY INVESTMENT and INFRASTRUCTURE

Elizabeth Colomello
Housing Program Manager

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San Francisco, CA 94103
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Chavez, Rosanna (MYR)

From: Hewson, Elizabeth (HOM)
Sent: Friday, September 9, 2022 11:46 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR); Menjivar, Salvador (HOM)
Subject: approval of revisions to small sites program guidelines

I cast a Yes vote for the approval of revisions to the Small Sites Program guidelines, on behalf of Salvador Menjivar.

Thank you,
Elizabeth

Elizabeth Hewson (she/her)
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San Francisco Department of Homelessness and Supportive Housing
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Chavez, Rosanna (MYR)

From: Katz, Bridget (CON)
Sent: Friday, September 9, 2022 11:43 AM
To: Chavez, Rosanna (MYR)
Cc: Shaw, Eric (MYR)
Subject: Approval of Revisions to Small Sites Guidelines

Approved

Bridget Katz
Development Finance Specialist, Office of Public Finance
Controller's Office | City & County of San Francisco
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E-mail: bridget.katz@sfgov.org

EXHIBIT A

DRAFT Preservation Guidelines

See Attachment

Mayor's Office of Housing & Community Development
Housing Neighborhood Preservation Program
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415.701.5500 • 415.701.5501 fax

DRAFT

SMALL SITES PROGRAM

GUIDELINES

Updated September 9, 2022

The following guidelines apply to the Small Sites Program ("SSP," and the "Program") financing administered by the San Francisco Mayor's Office of Housing and Community Development. The SSP Guidelines ("Guidelines") describe project eligibility and selection criteria. It also discusses the City's financing terms required for SSP projects ("Project"). These Guidelines will be used by MOHCD staff for purposes of evaluating funding requests and presenting them to the Citywide Affordable Housing Loan Committee ("Loan Committee") for consideration. The SSP application approval process will prioritize sites achieving a minimum score of 70 determined by the initial intake scoring rubric included in **Exhibit A**. Projects scoring less than 70 points will require further review subject to director approval. The SSP scoring rubric will be updated regularly based on the San Francisco Planning Department's Housing Balance bi-annual report and MOHCD's "Maximum Income by Household Size" AMI Chart published annually. These Guidelines intend to support consistency of final loan terms across projects and to ensure long-term affordability and physical and financial sustainability throughout a project's loan term.

SSP projects are designed to have subordinate financing paired with senior debt such as the City's Preservation and Seismic Safety (PASS) Program, or other first-position loans. The Loan Committee maintains the right to set final terms and conditions for a commitment of funds based on the actual circumstances of each project. MOHCD may review and approve any requests for a waiver to these Guidelines (see Section VII) at its sole and absolute discretion. SSP Underwriting Guidelines will be updated regularly in response to market conditions, MOHCD priorities, and to clarify program policies and procedures.

Note: the income and rent limits referenced in these Guidelines are determined and published annually by MOHCD for all multifamily rental housing developments under MOHCD's purview, including SSP-funded projects. All income and rent limits are expressed in MOHCD Area Median Income (AMI).

I. PROJECT ELIGIBILITY/SELECTION

Applications for SSP funding will be reviewed in the order received and responded to within five (5) business days. Sponsors must complete the SSP Application (see **Attachment A)** to be eligible for funding. In cases where a project is receiving outside acquisition and rehabilitation pre-development financing, MOHCD must receive a completed SSP Application before issuing a Project Support Letter.

A. <u>Building Type</u>

1. 5-40-unit residential buildings will be prioritized for SSP funding. Sites with greater than 40 units and fewer than 5 units will be considered subject to achievement of the minimum scoring criteria.

2. Mixed-use buildings are eligible to receive SSP funds provided that the project meets at least two of the following three criteria:

   a) More than 50% of the project's square footage is residential space.
   b) More than 50% of the project's revenue is from residential income.
   c) More than 50% of the project's funding is for residential uses.

3. Residential units must meet the San Francisco Planning Department's definition of "dwelling unit" and fully conform with Planning Code requirements applicable to the site, including zoning, general Code compliance, and any relevant neighborhood plan controls. Legalization of unpermitted units that meet minimum livability standards according to Chapter 5 of the 2019 San Francisco Housing Code may be eligible for SSP funding. The addition of Accessory Dwelling Units (ADUs) may also be eligible for SSP funding subject to project feasibility and ADU regulations.

B. Eligible Borrowers

Recipients of SSP Loans ("Borrowers") may be either not-for-profit or for-profit borrowers (the "Sponsor") which include existing landlords. However, MOHCD may grant preference to not-for-profit entities when allocating Loan funds. Also, as part of the Loan underwriting process, MOHCD will evaluate all prospective Borrowers based on the Sponsor Threshold Qualifications described in Attachment B. Eligible Borrowers may be organized as special-purpose, single-asset entities. In such cases, MOHCD may look to the entity or entities that ultimately own or control the Borrower (the "Sponsors") when assessing enterprise risk, seeking financial guarantees, or for other purposes. Sponsors must meet the minimum experience requirements outlined in Attachment B. A Sponsor that does not meet the minimum experience requirement must joint venture with a developer who does meet the requirements.

II. GENERAL CITY FINANCING TERMS

A. Maximum City Subsidy

Maximum base funding including acquisition, rehabilitation, and permanent financing is:

1. $550,000 per ADU studio unit (additional $50,000 per bedroom added)
2. $500,000 per 3BD unit
3. $450,000 per 2BD unit
4. $400,000 per 1BD unit
5. $350,000 per Studio unit
6. $275,000 per bedroom for group or single room occupancy (SRO) unit (additional $25,000 if in-unit bathroom)

An income-generating commercial unit may be counted towards the project's unit count. Funding is determined on a case-by-case basis subject to appraised value.

Projects exceeding the Maximum SSP funding amount listed above may be eligible for funding subject to meeting the minimum scoring criteria and or Director approval.

SSP funding includes all sources of funds available through MOHCD for the residential project, including but not limited to SoMa Stabilization funds, Rehab/Lead funds, and CDBG Housing Development Grants (HDG).

Commercial tenant improvements beyond City-required life safety upgrades (e.g., seismic or electrical upgrades) are not eligible for SSP funding and would require additional funds from other City sources.

B. Appraisal Requirements

An appraisal must substantiate the acquisition price and cannot exceed the purchase price for comparable buildings in the area. MOHCD reserves the right to decline any application for funding due to an unreasonable acquisition price. Appraisals must be dated within 12 months of the anticipated closing on MOHCD financing and must show:

a) the "as is" fair market value
b) the "as completed" fair market value
c) the "as completed" restricted value

Fair market appraisals must be conducted to Uniform Standards of Professional Appraisal Practice standards by a qualified appraiser with a California-certified appraisal license.

C. Terms

1. Loan Term: 40 years ("Loan Term")

2. Restriction Term:
   a) Declaration of Restrictions Term: The longer of the life of the project or 75 years, surviving expiration of the Loan Term, default, foreclosure, and/or loan repayment. MOHCD would support a new Declaration of Restrictions subject to approval of equal or greater affordability requirements, tenant protections, and alignment with city policy.

   b) Declaration of Restrictions must be recorded in the first position on title and is senior to all deeds of trust.

D. Interest Rate

3% annual simple interest. Loan repayments shall be applied first to interest and second to principal. However, if, in any given year, an SSP project generates insufficient cash flow to repay all interest due, unpaid interest due for that year may be forgiven subject to MOHCD's approval following a timely submission of audited financials and AMR reporting requirements.

E. Repayment, Refinance, and Subordinate Financing

1. Full Loan Repayment: Loan to be repaid in full at the end of the Loan Term or upon any transfer of title.

2. Residual Receipts Payments:
   a) For any year when the replacement reserve balance is less than 1.5 times the original capitalized replacement reserve required in Section IV(B)(3), below: 1/3 of residual receipts may be retained by the project sponsor and the remaining 2/3 must be deposited into the project's replacement reserve account.

   b) For any year when the replacement reserve balance exceeds 1.5 times the original capitalized replacement reserve required in Section IV(B)(3), below: 1/3 of residual receipts may be retained by the project sponsor and the remaining 2/3 must be distributed to MOHCD for debt repayment.

3. Refinancing of Senior Debt:
   a) MOHCD encourages sponsors to seek the longest first mortgage term possible. To the extent that the first mortgage includes a balloon payment, refinancing of senior debt is acceptable. Refinanced senior debt terms are subject to MOHCD's approval. If the refinanced senior debt is approved, MOHCD will subordinate its loan, but will not subordinate the Declaration of Restrictions, to the new loan.

   b) MOHCD may extend the term of its loan at the time of refinancing for the purpose of preserving affordability.

   c) Cash-out Refinances must comply with MOHCD Cash Out Acquisition/Rehabilitation, Re-syndication, and Refinancing Policy or its successor.

d) At no time may the sponsor add debt against the property that exceeds the supportable mortgage according to the appraised restricted value of the property and/or the restricted rental income.

4. Subordinate Financing:
Financing subordinate to the City's loan and lines of credit secured against the property is prohibited, except for the purpose of acquiring the site when sufficient other financing sources are not available or when necessary to finance capital projects that benefit the health, safety, or efficiency of the building, such as seismic or energy efficiency improvements. All subordinate financing must be approved in writing by MOHCD prior to obtaining the subordinate financing. Sponsor must be able to demonstrate adequate cash flow for payment of subordinate debt and the ability to refinance or otherwise repay subordinate debt in a timely manner without additional resources from the City.

F. Tenant Intake Requirements

1. Tenant Notification Requirements:
   a) 100% of households in tenant-occupied units must be notified of the intention to acquire and restrict the building under the Small Sites Program. Such notification must include language indicating that the City's Rent Stabilization and Arbitration Ordinance will no longer apply as described in the sample lease agreement (Attachment C).

   b) **Executing SSP Leases for existing households:** Sponsors must execute new leases or provide binding written 30-day notice of change of terms in existing leases with tenants on month-to-month leases that clearly describe the SSP rent restrictions and clarify that the tenancy is no longer subject to the San Francisco Residential Rent Stabilization and Arbitration Ordinance. Tenant leases and 30-day notices are subject to MOHCD review and approval.

2. Initial Income Certification Requirements:
   a) **Income certification threshold:** For a project to qualify for SSP funding, 80% of households must income certify and complete a Tenant Intake Package (**Attachment C)** prior to sponsor's release of purchase deposit.

   b) For the remaining 20% of households, sponsor must demonstrate that household rents are the lesser of: (i) 100% AMI, or (ii) 20% below market rents of similar comparable units as evidenced by a qualified market study.

   c) If the total SSP funding is equal to or less than $275,000 per unit for standard residential/mixed-use buildings of 5-40 units or less than $150,000 per unit for group housing/SRO buildings, the project sponsor may obtain an SSP loan without complying with Income Certification Requirements described in Section II(F)(2) above. In such cases, the project sponsor must notify all households in the building as described above in Sections II(F)(1)(a), meet lease requirements described in Sections II(F)(1)(b), and below, and ensure that income certification occurs within the first year of operation. Unless project sponsor provides evidence of eligibility for the welfare property tax exemption, it must assume 100% of property taxes will be due in its operating budget. Income Certification exemption does not apply to vacant or newly leased units.

3. Affordability Restrictions:
   a) Regardless of whether a unit's occupant(s) complete the Tenant Intake process, all units must be restricted for the term of the Declaration of Restrictions.

b) The average household income for a minimum of 2/3 households must not exceed 80% of AMI at the time of SSP loan closing. Project sponsors may include proposed rent levels for vacant units in this calculation.

4. Rent Restrictions and Threshold for Existing Households:

a) **20% Rent Burden Requirement:** If an existing household's rent is less than 20% of the household's gross monthly income, their rent will be increased to 20% of the household's gross monthly income. The household's gross monthly income reported at acquisition will be used to determine such rent increases; an increase in households' income at recertification in subsequent years will not affect the original rent increase schedule. Such rent increase may be phased in over a period of years, with a maximum annual increase of 7%. In no event may the 20% rent burden requirement cause any household's rent to exceed the lesser of (i)100% AMI rent, or (ii) 20% below the market rents of comparable units.

b) **Households with incomes exceeding welfare tax qualifying levels**: If an existing household's income renders the unit ineligible for the welfare property tax exemption, then the pro-rata share of the property tax assessment shall be charged to the household in the form of increased rent. Such rent increase may be phased in over a period of years, with a maximum annual increase of 7%. In no event may the property tax rent increase cause any household's rent to exceed the lesser of (i)100% AMI rent, (ii) 20% below the market rents of comparable units, or (iii) 20% of its gross household income. If the household's income subsequently decreases as determined during the annual recertification process, and the unit becomes eligible for the welfare property tax exemption, the tenant's rent will be reduced by the pro-rata share of the property taxes that are attributable to that unit.

c) **Household Noncompliance with Tenant Intake Process:** If an existing household opts out of the Tenant Intake process, rendering their unit ineligible for the welfare property tax exemption, the pro-rata share of the property tax assessment shall be charged to the household in the form of increased rent. Such rent increase may be phased in over a period of years, with a maximum annual increase of 7%. In no event may the property tax rent increase cause any household's rent to exceed the lesser of (i) 100% AMI rent, or (ii) 20% below market rents of comparable units. If the household elects to income certify in subsequent years and household income becomes eligible for the welfare property tax exemption, the tenant's rent will be reduced by the pro-rata share of the property taxes that are attributable to that unit.

d) **SSP Project Support letters:** Project Support Letters will only be issued subject to MOHCD review and approval of a completed Tenant Takeout Package, a market rent study of comparable units, and an operating budget reflecting agreed-upon rent levels and assumed property tax burden.

5. Right-Sizing Units:

MOHCD policy for all units is that tenant households be housed in units with a bedroom count that matches the household size. The following guidelines apply in cases where households are under-housed or over-housed.

a) **Under-Housed Households:** Given the challenges of relocating under-housed households, MOHCD will allow the acquisition of buildings in which no more than one unit is occupied by a household defined as overcrowded according to Section 503 of the San Francisco Housing Code, and only in the event that a relocation strategy is identified and approved for the household by MOHCD prior to loan closing. Under-housed households may be relocated into an appropriately sized unit within the property or another non Low-Income Housing Tax Credit funded property in the sponsor's portfolio (assuming no lottery, as a reasonable accommodation) within one year, if possible, and, if not, when one becomes available. The unit that becomes vacant will, therefore, become available for lease to another household through MOHCD's standard marketing and lottery process. The under-housed household will not have priority on an active SSP waitlist in order to be relocated.

b) **Over-Housed Households:** Following project rehabilitation, if SSP households are over-housed (i.e., residing in a unit with a bedroom count that exceeds the household size), the household's existing living arrangement will be allowed until such time that another appropriately sized unit in the building becomes available, at which time the household will be required to move into the appropriately sized unit. If sponsor can demonstrate project feasibility, rent for that household will be reduced to reflect the smaller unit size, adjusted to match the AMI rent level that the household paid in its original unit. Sponsor may request a hardship waiver from MOHCD if such a transfer is unduly burdensome to the tenant **(e.g., a senior household aging in place).**

G. Ongoing Program Requirements

1. AMI Average Requirement:
   To the extent feasible, SSP buildings will aim to achieve an average of 80% AMI rents over time as the building experiences turnover. However, MOHCD may make exceptions to the 80% AMI average rent requirement on a case-by-case basis when a unit becomes vacant, subject to a sponsor analysis of rental market comparables, and the leveraging of other resources such as operating subsidies, or if MOHCD determines that an 80% average is not financially feasible. **Group Housing and SRO units are exempt from 80% AMI average requirements.**

2. Marketing and Leasing Requirements:
   Sponsors must comply with all applicable federal, state, and local fair housing laws. Marketing and leasing of vacant units must not have the effect of excluding or discriminating against any person on the basis of race, religion, national origin, sex, gender identity, sexual orientation, AIDS/HIV status, disability, source of income such as disability insurance, social security, TANF, or any other basis protected by federal, state, or local law.

   a) At each vacancy, SSP building sponsors are required to ensure that the building achieves 80% AMI Average rents. For each unit that becomes vacant, prior to re-occupancy, the rent for such unit shall be set at the amount necessary to bring the Site's combined average rents as close as possible to 80% AMI. Rents for any single unit may be set up to a maximum of 20% below market rate rents in the surrounding immediate neighborhood, as substantiated by a qualified market study. For a complete list of leasing requirements, Sponsor should refer to the SSP Marketing and Leasing Manual, which is intended to support the equitable marketing and efficient leasing of SSP buildings.

   b) If an existing tenant has become severely rent burdened during tenancy, upon vacancy of a unit in the building, and to the extent that the building has adequate cash flow, a tenant may apply to the building sponsor for a reduction in rent to as low as 3% of the household's gross monthly income. If more than one tenant is severely rent burdened, such rent reduction will be equally distributed among the parties. to offset the rent reductions provided to existing rent-burdened tenants, the rent on the vacant unit may set at a higher amount, as long as it is rents and when combined with rents across all unit rents average 80% AMI rent.

   c) Once a tenant household has qualified to rent a unit, changes in the household's income will not disqualify the household from continuing to reside in an SSP project or benefit from restricted rent.

d) **On-going rent increases:** Rents must be increased increase annually by the greater of 2% or the change in annual operating expenses, up to a maximum of 3.5%. If in any given year, sponsor requires a rent increase greater than 3.5% to maintain financial feasibility, sponsor may petition MOHCD for such an increase. Any approval will be made in the Director's sole discretion and in compliance with loan documents and MOHCD's Hold Harmless Policy.

e) **Households with incomes exceeding welfare tax qualifying levels**: If an existing household's income, renders the unit ineligible for the welfare property tax exemption, then the pro-rata share of the property tax assessment shall be charged to the household in the form of increased rent. Such rent increase may be phased in over a period of years, with a maximum annual increase of 7%. In no event may the property tax rent increase cause any household's rent to exceed the lesser of (i)100% AMI rent, (ii) 20% below the market rents of comparable units, or (iii) 20% of its gross household income. If the household's income subsequently decreases as determined during the annual recertification process, and the unit becomes eligible for the welfare property tax exemption, the tenant's rent will be reduced by the pro-rata share of the property taxes that are attributable to that unit.

f) **Rental Assistance Vouchers:** Sponsor shall accept rental assistance (such as Section 8 and VASH, or any successor or similar rent subsidy program) to the extent that rent charged for the unit complies with such program regulations and that the tenant who submits rental assistance has been selected through the City's standard marketing process and is otherwise qualified for the unit. Sponsor shall request and make best efforts on an annual basis to receive an increase in contract rent equivalent to the percentage change in Fair Market Rent (FMR) or equivalent payment standard, whichever is greater.

g) **Severely rent burdened households:** If sponsor's application of a required rent increase results in any individual household's rent rising above 50% of that household's gross annual income (i.e., "severely rent-burdened"), sponsor may freeze the rent of the severely rent-burdened household for the year, provided that:

   i. Sponsor demonstrates to the satisfaction of MOHCD that the property maintains short- and long-term financial sustainability in the form of positive cash flow, adequately funded reserves, and other indicators as MOHCD may reasonably request; and,

   ii. At each annual income recertification, the ability of all households to pay required rent increases will be reassessed, as will sponsor's requirement to demonstrate short- and long-term financial sustainability if sponsor requests a continued rent freeze for any severely rent-burdened household.

h) Rents may increase no more than once per year, regardless of whether the tenant is on a month-to-month lease.

i) If a sponsor increases rents beyond program guidelines or offers a vacant unit for rent at a rate that exceeds program rules, the resulting excess cash flow will be due to the tenants who were overcharged, and sponsor will be in default of the terms of its loan.

III. FIRST LOAN TERMS

A. Preferred Lenders

Projects that leverage the City's Preservation and Seismic Safety Loan Program ("PASS") first mortgage product will be prioritized for SSP funding to the extent that PASS funding is available. All SSP applicants must leverage SSP funding with a first mortgage. Applicants are subject to the underwriting requirements of the PASS Loan Program, or the senior lender for approval of the project's first mortgage.

B. Preferred First Loan Terms

MOHCD has established the following suggested loan terms for the SSP. While it is MOHCD's strong preference for SSP applicants to obtain loans with the combination of all terms listed, certain terms may be omitted or refined at MOHCD's sole discretion based on the senior lender's underwriting requirements and based on whether the project includes commercial space. MOHCD's loan approval is subject to its review of all underlying third-party financing terms and determination that such terms are not in conflict with the terms of MOHCD's loan agreement and ancillary documents.

1. Acquisition loans that automatically convert to permanent financing with a 10-year minimum term
2. 30-year amortization schedule
3. 1.15 to 1.20 Debt Service Coverage Ratio
4. Nonrecourse to the borrower
5. Low rates
6. Maximum 1.5% lender loan fees
7. No cross-collateralization

IV. RESIDENTIAL DEVELOPMENT PROFORMA ASSUMPTIONS

A. Debt Service Coverage Ratio (DSCR)

1. Minimum: 1.15:1

2. Maximum: 1.20:1

3. Calculation Method: DSCR should be calculated after accounting for reserve deposits. DSCR should be calculated by dividing Net Operating Income (NOI), defined as revenue minus expenses minus replacement reserve deposits, by first mortgage payments (NOI/first mortgage payments). The goal in all cases is to maximize the amount of leveraged debt.

B. Reserves

1. Capitalized Operating Reserves: 25% of budgeted 1st full-year operating expenses (including hard debt service) in an interest-bearing account.

2. Operating Reserve Deposits: None unless the balance of the Operating Reserve Account drops below 25% of the prior year's operating expenses (including hard debt service). Any such required payments would be made from cash flow that remains after all other required payments are made and prior to any distributions (e.g. SSP soft debt service, other reserve payments, etc.).

3. Capitalized Replacement Reserves: The higher of (i) $2,000 per unit for projects with fewer than 30 units, and $1,000 per unit for projects with 30 and greater units, or (ii) the amount necessary to pay replacement costs for at least the next 20 years, as specified in an approved CNA and taking into account any renovation. Replacement reserves must be deposited into an interest-bearing account.

4. Replacement Reserve Deposits: The higher of (i) the amount needed according to an approved 20-year CNA or, (ii) the amounts listed in the table below as permitted by available cash flow. May be updated every seven (7) years based on a revised CNA acceptable to the City. In addition to the deposits listed below, all property taxes that were included in the project's development budget and later refunded by the City's tax collector and 50% of the balance of unused construction contingency must be deposited into the project's replacement reserve account.

Number of units, including commercial units	Replacement reserve deposits PUPY, including commercial units
<10	400
>11	350
>30	300

5. Capitalized Vacancy Reserves: The monthly rent for commercial and residential units that are vacant at acquisition multiplied by the number of months the unit will remain vacant during predevelopment, rehabilitation, and marketing/lease-up.

C. Fees

1. Developer Fee: A flat developer fee will be calculated as the sum of $105,000, payable at acquisition plus $10,000 per unit, payable at the end of rehabilitation, if rehabilitation is applicable, up to a maximum of 5% of the total development cost (excluding the developer fee). Projects may be eligible for additional developer fee where the scope includes the creation of accessory dwelling units. In addition, projects that achieve a final rubric score greater than [90], and are therefore deemed High Impact Sites, will be eligible for an additional $25,000 per project, payable at construction completion subject to the project completing its scope of work on time and within budget. The portion of developer fee that is payable at the end of rehabilitation will be at-risk for costs exceeding final approved budget at commitment of financing by MOHCD. If the project's development budget is unable to support the level of developer fee indicated, sponsor may request that the remaining fee be deferred over a maximum 10-year period, payable after all other required expenses are paid but before the residual receipts split.

2. Supplemental Fee for CBO Collaboration: Sponsors who collaborate with a community-based organization to perform outreach and support for existing residents may claim an additional $1,500 per unit per year (PUPY) fee during the period of predevelopment, acquisition, and construction. Approval of such supplemental fee for CBO collaboration is subject to MOHCD's review and approval of sponsor's agreement with the collaborating community-based organization regarding outreach activities.

3. Construction Management Fees: Sponsor is expected to negotiate the most competitive fee possible with the construction manager. Construction management fees may not exceed $30,000 per project. Projects may be eligible for additional construction management fees where the scope includes creation of accessory dwelling units.

D. Contingencies

1. Construction Contingency
   - 15% of construction costs
   - Purpose: Contingency for unforeseen conditions, minor errors and omissions.

Soft Cost Contingency: 15% of soft costs, excluding developer and administrative fees, construction loan interest, and reserves. Unspent funds allocated to soft costs shall be deposited into the project's operating reserve upon completion of project rehabilitation.

E. Relocation:

Sponsors are required to submit a relocation plan to MOHCD prior to SSP loan closing; or in the case of projects receiving bridge financing, a relocation plan must be approved by MOHCD prior to issuance of a MOHCD Letter of Support. At a minimum, such plan must include the following provisions.

a) A detailed relocation budget
b) Relocation of tenants must be temporary, not to exceed 90 days
c) Tenants may not incur costs related to relocation but will continue to pay rent for their original unit
d) A relocation consultant or other similar staffing will provide advisory services to tenants
e) Notice will be given to tenants 90 days and 30 days prior to commencement of relocation
f) Adequate temporary housing will be provided that is in decent, safe, and sanitary condition and of comparable size
g) SSP tenants may be temporarily relocated to non-Low-Income Housing Tax Credit funded properties within sponsor's SSP portfolio without a lottery. Non-SSP tenants are not permitted to temporarily relocate to SSP projects.
h) It is the City's intent that SSP enhances stability for small businesses and commercial tenants. Relocation of commercial tenants should be kept to a minimum and not cause the commercial tenant an unnecessary burden. Commercial relocation will be offered to commercial tenants in the form of a temporary suspension of rent due plus a negotiated lump sum to ensure that the business is able to withstand the relocation period. Relocation agreements must be documented and signed by the applicable parties and attached to the SNDA executed at the time of acquisition. To the extent possible, sponsors should coordinate with the City's Office of Economic and Workforce Development to support small businesses in preparing for relocation and to potentially leverage additional funding for commercial improvements.

V. OPERATING PROFORMA ASSUMPTIONS

A**. Vacancy Allowance**:

- 10% of annual residential rent income
- 20% of annual commercial rent income. This percentage may be reduced, subject to MOHCD approval, to as low as 10% upon evidence of a long-term stable tenant and/or strong market conditions that would facilitate rapid lease-up, should the commercial space become vacant. This percentage also may be increased if weak market conditions exist.

B. Increases in Gross Income

- 2.5% annually

C**. Increases in Operating Expenses**

- 3.5% annually

D**. Operating Fees: Asset Management and Property Management**

Monthly per-unit asset management and property management fees to be calculated as of the calendar year that the property receives SSP funding, according to the following tables:

Maximum Asset Management Fee ("Maximum AMF")

2022	2023	2024	2025	2026	2027	2028	2029
$105	$108	$111	$114	$117	$120	$123	$126

Maximum Property Management Fee ("Maximum PMF")

2022	2023	2024	2025	2026	2027	2028	2029
$105	$108	$111	$114	$117	$120	$123	$126

The Maximum Asset Management and Property Management Fees are expected to cover all costs of managing an SSP property. Sponsor may, on a case-by-case basis, request additional documented costs be incorporated in the operating budget, subject to MOHCD review and approval.

VI. OTHER UNDERWRITING GUIDELINES

A. **Architect and Engineering Fees:** If the scope of rehab requires architectural drawings (as opposed, e.g., to hiring a design/build contractor), then MOHCD's "Guidelines for Architect and Engineering Basic Services," including fees, will apply. All architectural contracts should be full-service and include all necessary consultants. They should also use standard AIA forms (or approved equivalent). Sponsor addenda are encouraged, including requiring the architect to design to a specified construction budget. Contracts must be signed prior to the commencement of any design work. Additional fees will be allowed, subject to MOHCD approval, if there are significant changes in the Architecture/Engineering services contract scope.

B. **Construction Management Guidelines**: Sponsor must identify specific staff or consultant(s) who will provide construction management functions on behalf of sponsor, including permit applications and expediting, cost analysis, completion evaluations, change order evaluations, scope analysis and schedule analysis. It is sponsor's responsibility to ensure its construction management staff/consultant has adequate experience and availability to carry out the job; however, MOHCD may request additional information about the construction manager to establish capacity. Sponsors are expected to negotiate the most competitive fee possible with the construction manager. Sponsors should seek further guidance regarding construction management in the SSP Construction Manual.

C. **General Contractor Fees/Price**

1. Selection of contractor by RFP: When sponsor selects a contractor through a negotiated bid process, sponsor's RFP should require competitive cost proposals that specify Overhead and Profit (OH&P) percentages and General Conditions (GC) costs as separate line-items. Values for specific trade work, subcontractor work, and all other costs under the purview of the general contractor should be listed separately and exclude OH&P and GC mark-ups. The fee is a criterion, but not the sole criterion for selection. The selection process and selection results must be approved by the City with respect to LBE/SBE participation, wage requirements, and proposed contract price.

2. Overhead and Profit: May not exceed 15% of the contract price.

3. General Conditions: These costs must be documented and reasonable given the conditions at the site.

4. Contractor's Contingency: If applicable, contractor's contingency must be tracked and documented as a separate line item.

5. Subcontractor Pricing: General contractors must submit a schedule of values for the City's review that lists: 1) all proposed subcontractor pricing, without any general contractor markup; 2) clearly identified general contractor fees, as separate line items, including overhead, profit, and general conditions; and 3) a final contract price. Subcontractor and sub-tier markup may not exceed 15% in the aggregate, including on change orders. The City reserves the right to review all bids.

6. Change Orders: All change orders must be reviewed and approved by the City. The markup on change orders must be limited to 15% in the aggregate, inclusive of any general contractor's markup.

VII. CITY OPTION TO PURCHASE

A City Option to Purchase Agreement will be recorded in second position on title after the Declaration of Restrictions and will be senior to all deeds of trust. In addition, sponsors will enter into a recordable Memorandum of Option to Purchase with the City at loan closing.

VIII. EXCEPTIONS

MOHCD reserves the right to waive any portion of these Guidelines, or to make exceptions on a case-by-case basis, for the purpose of preserving at-risk buildings as permanently affordable housing. If granted, such waiver and/or an exception will be made with the written approval of the Director of MOHCD, in his/her sole discretion, in consultation with the senior lender. Waivers and exceptions will not apply to the senior debt unless approved by the senior lender.

Mayor's Office of Housing & Community Development
Housing Neighborhood Preservation Program
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
415.701.5500 • 415.701.5501 fax

ATTACHMENT A:
DRAFT
2022 SMALL SITES PROGRAM PROJECT SCORING RUBRIC

A.1. **Community Impact Sample Scoring**

NPP PROJECT SCORE

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Community Stabilization Score

20

Community Stabilization (Max 35 Points)	Score
Long-Term Residents	
Percentage of households that have lived in San Francisco for 10 or more years.:	
50% of Households: 15 points	15
33% of Households: 10 points	
25% of Households: 05 points	
Former or Imminent Displacement Risk	
Households formerly displaced or face imminent displacement risk.	
50% of Households: 15 points	0
33% of Households: 10 points	
25% of Households: 05 points	
Vulnerable Populations	
Households with transitional-aged youth, re-entry populations, undocumented, seniors, persons w/ disabilities, and other protected classes as defined by the CA Dept of Fair Employment and Housing receive an additional 5 points	5

A.2. **Geographic Equity Scoring**

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Geographic Equity Score

24

Geographic Equity (Max 30 Points)	Score
BoS District Housing Balance	
Districts ranked from lowest to highest per SF Housing Balance Report (Max 10 Points) Top 5 districts with the lowest housing balance receive additional 5 Points	13
BoS District with Highest Number of Units Removed From Protected Status	
Districts ranked from lowest to highest per SF Housing Balance Report (Max 10 Points) Top 5 districts with the highest number of units removed from protected status receive an additional 5 Points	11

A.3. **Housing Affordability Scoring**

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Housing Affordability Score

35

Housing Affordability (Max 35 Points)	Score
Project serves Low-Income Households	
66% of Households < 60% AMI: 35 points 50% of Households < 60% AMI: 25 points 33% of Households < 60% AMI: 15 points	35

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San Francisco, CA 94103
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A.4. Housing Affordability Scoring

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Maximum Funding Limits	Total Unit Types
$550,000 per ADU Studio unit ($50,000 per additional bedroom)	
$500,000 per 3bd unit	
$450,000 per 2bd unit	6
$400,000 per 1bd unit	6
$350,000 per Studio unit	
$275,000 per group housing bedroom or single room occupancy (SRO) unit (additional $25,000 if in-unit bathroom)	
Income-generating commercial units funding is determined on a case-by-case basis	
Total Units	12
Funding per Unit Type	$5,100,000
Base Score	79
Base Score Multiplier	10%
Base Funding per Project Score	$5,610,000
Funding Request	$4,234,075
Variance	-24.5%
Variance Multiplier	125%
Maximum Impact Score	98

Maximum Impact Score

98

Project assumes a Base Score of 79 however with funding request below Base Funding limit, the final Max Impact Score raises to 98.

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San Francisco, CA 94103
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ATTACHMENT B:
DRAFT
SPONSOR MINIMUM QUALIFICATIONS

Only applicants who meet all of the following criteria will be considered eligible for SSP funding.

1. Must be a duly formed non-profit or for-profit corporation.

2. Must demonstrate the technical capacity and experience to successfully acquire, own, rehabilitate and manage affordable housing, either through staff, contracted services, or in collaboration/joint venture with other organizations, including:
   a. **Acquisition Experience:** The applicant must have acquired at least one "Qualifying Project" in the past 5 years or acted as part of a joint venture with another organization on an acquisition of a Qualifying Project. A "Qualifying Project" means a rental housing property that includes at least five units of housing regulated as affordable to low- and moderate-income households.
   b. **Property Management Experience:** The applicant or the applicant's management agent must have managed at least one Qualifying Project for at least 24 months and have received satisfactory performance reviews by any City agency from which the project received funding.
   c. **Project Management Experience:** The applicant's project manager must have experience with at least one Qualifying Project or be assisted by a consultant or other staff person with such experience and the demonstrated capacity to oversee the project. When using a consultant, the consultant's resume should demonstrate that the consultant has successfully managed all aspects of at least two (2) comparable development projects in the recent past.
   d. **Construction Management Experience:** Applicant must identify specific staff or consultant(s) who will provide construction management functions on behalf of the applicant, including permit applications and expediting, cost analysis, completion evaluations, change order evaluations, scope analysis and schedule analysis. The applicant's construction manager must have demonstrated experience with at least one Qualifying Project.
   e. **Asset Management Capacity:** Development teams must provide the information requested by MOHCD to describe asset management staffing plans and show how they manage the financial performance and capital needs of their existing and future assets. MOHCD will use the information provided to verify that their approach to asset management meets the City's stewardship expectations, particularly with regard to timely performance of capital needs assessments, maintaining adequate replacement reserves and timely collection of tenant rents.
   f. **Financial Capacity**: Sponsor must demonstrate financial capacity and controls as they relate to existing or past portfolio projects. Financial capacity and controls will include:
      i. Narrative of financial capacity and qualifications of directors, staff and/or consultants, and implemented accounting technology platforms.
      ii. Narrative of financial standing of at least one Qualifying Project.
      iii. Recent certified annual audited financials reflecting revenue and expenses of at least one Qualifying Project".
      iv. Recent certified annual audited financials of applicant organization.

3. Narrative of any pending legal action or written notices of default on any project applicant pursued in the past 10 years.

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Housing Neighborhood Preservation Program
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ATTACHMENT C:
DRAFT
TENANT INTAKE PACKAGE

Form C.1. 2021-22 MOHCD Client Intake Form Instructions

[Insert Client Intake Form Instructions]

Form C.2. 2021-22 MOHCD Client Intake

[Insert Client Intake Form]

Form C.3. 2021-22 MOHCD Income Certification Instructions

[Insert Income Certification Instructions]

Form C.4. 2021-22 MOHCD Income Certification Form(s)

[Insert Income Certification Form(s)]

Form C.5. SSP Sample Lease Agreement

[Insert Sample Lease Agreement]

EXHIBIT B

DRAFT Scoring Rubric

Community Stabilization Scoring

NPP PROJECT SCORE

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Community Stabilization Score

20

Community Stabilization (Max 35 Points)	Score
Long-Term Residents	
Percentage of households that have lived in San Francisco for 10 or more years.:	
50% of Households: 15 points	15
33% of Households: 10 points	
25% of Households: 05 points	
Former or Imminent Displacement Risk	
Households formerly displaced or face imminent displacement risk.	
50% of Households: 15 points	0
33% of Households: 10 points	
25% of Households: 05 points	
Vulnerable Populations	
Households with transitional-aged youth, re-entry populations, undocumented, seniors, persons w/ disabilities, and other protected classes as defined by the CA Dept of Fair Employment and Housing receive an additional 5 points	5

Geographic Equity Scoring

(2021 SF Planning Housing Balance Report referenced in determining BoS District Score)

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Geographic Equity Score

24

Geographic Equity (Max 30 Points)	Score
BoS District Housing Balance	
Districts ranked from lowest to highest per SF Housing Balance Report (Max 10 Points) Top 5 districts with the lowest housing balance receive additional 5 Points	13
BoS District with Highest Number of Units Removed From Protected Status	
Districts ranked from lowest to highest per SF Housing Balance Report (Max 10 Points) Top 5 districts with the highest number of units removed from protected status receive an additional 5 Points	11

Housing Affordability Scoring

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Housing Affordability Score

35

Housing Affordability (Max 35 Points)	Score
Project serves Low-Income Households	
66% of Households < 60% AMI: 35 points 50% of Households < 60% AMI: 25 points 33% of Households < 60% AMI: 15 points	35

Maximizing City Impact Scoring

[Address]

[BoS District]

[Unit Count and Type]

[Funding Request:$]

[% AMI Average Income]

[% AMI Average Rents]

Maximum Impact Score

98

Maximum Funding Limits	Total Unit Types
$550,000 per ADU Studio unit ($50,000 per additional bedroom)	
$500,000 per 3bd unit	
$450,000 per 2bd unit	6
$400,000 per 1bd unit	6
$350,000 per Studio unit	
$275,000 per group housing bedroom or single room occupancy (SRO) unit (additional $25,000 if in-unit bathroom)	
Income-generating commercial units funding is determined on a case-by-case basis	
Total Units	12
Funding per Unit Type	$5,100,000
Base Score	79
Base Score Multiplier	10%
Base Funding per Project Score	$5,610,000
Funding Request	$4,234,075
Variance	-24.5%
Variance Multiplier	125%
Maximum Impact Score	98

Project assumes a Base Score of 79 however with funding request below Base Funding limit, the final Max Impact Score raises to 98.

EXHIBIT C

SPONSOR MINIMUM QUALIFICATIONS

Only applicants who meet all the following criteria will be considered eligible for Preservation funding.

1. Must be a duly formed non-profit or for-profit corporation.
2. Must demonstrate the technical capacity and experience to successfully acquire, own, rehabilitate and manage affordable housing, either through staff, contracted services, or in collaboration/joint venture with other organizations, including:
    a. **Acquisition Experience:** The applicant must have acquired at least one “Qualifying Project” in the past 5 years or acted as part of a joint venture with another organization on an acquisition of a Qualifying Project. A “Qualifying Project” means a rental housing property that includes at least five units of housing regulated as affordable to low- and moderate-income households.
    b. **Property Management Experience:** The applicant or the applicant’s management agent must have managed at least one Qualifying Project for at least 24 months and have received satisfactory performance reviews by any City agency from which the project received funding.
    c. **Project Management Experience:** The applicant’s project manager must have experience with at least one Qualifying Project or be assisted by a consultant or other staff person with such experience and the demonstrated capacity to oversee the project. When using a consultant, the consultant’s resume should demonstrate that the consultant has successfully managed all aspects of at least two (2) comparable development projects in the recent past.
    d. **Construction Management Experience:** Applicant must identify specific staff or consultant(s) who will provide construction management functions on behalf of the applicant, including permit applications and expediting, cost analysis, completion evaluations, change order evaluations, scope analysis and schedule analysis. The applicant’s construction manager must have demonstrated experience with at least one Qualifying Project.
    e. **Asset Management Capacity:** Development teams must provide the information requested by MOHCD to describe asset management staffing plans and show how they manage the financial performance and capital needs of their existing and future assets. MOHCD will use the information provided to verify that their approach to asset management meets the City’s stewardship expectations, particularly with regard to timely performance of capital needs assessments, maintaining adequate replacement reserves and timely collection of tenant rents.
    f. **Financial Capacity**: Sponsor must demonstrate financial capacity and controls as they relate to existing or past portfolio projects. Financial capacity and controls will include:
        i. Narrative of financial capacity and qualifications of directors, staff and/or consultants, and implemented accounting technology platforms.
        ii. Narrative of financial standing of at least one Qualifying Project.
        iii. Recent certified annual audited financials reflecting revenue and expenses of at least one Qualifying Project”.
        iv. Recent certified annual audited financials of applicant organization.

Narrative of any pending legal action or written notices of default on any project applicant pursued in the past 10 years.

EXHIBIT D

Community Opportunity to Purchase Act

London N. Breed
Mayor

Eric D. Shaw
Director

COMMUNITY OPPORTUNITY TO PURCHASE ACT (COPA) PROGRAM RULES

San Francisco Administrative Code Chapter 41B (the "**Community Opportunity to Purchase Act**" or **"COPA"**) confers on certain qualified nonprofit organizations a first right to purchase Multi-Family Residential Buildings (**"Building"**) for Sale in the City through a **Right of First Offer** (as described in Section 41B.6), and a **Right of First Refusal** (as described in Section 41B.7) for the purpose of creating and/or preserving affordable rental housing. Section 41B.11 charges the Mayor's Office of Housing and Community Development (**"MOHCD" or "Agency"**) with authority to interpret and implement COPA, and specifically with promulgating any appropriate Rules for the implementation of COPA. MOHCD accordingly adopts these Program Rules ("**Rules**"). All section references are to COPA unless specifically set forth under these Rules.

COPA became effective on June 3, 2019, and was subsequently amended under Ordinance 228-20 on November 13, 2020.

Date: October 21, 2021.

I. DEFINITIONS

A. <u>Defined Terms</u>. Capitalized terms not otherwise defined under these Rules will have the same meanings set forth under Sections 41B.2 and 41B.3. Definitions set forth herein are meant to complement and clarify terms used in Chapter 41B.

B. <u>Definition of Building</u>. The definition for "Multi-Residential Building" or "Building" as defined in Chapter 41B must be read in accordance with the following:

1. <u>Transfers of Interest in Building with Multiple Owners</u>. The sale of a Building that has multiple owners will be considered a transfer of a single interest of the Building if the transfer by each owner is made in connection with substantially the same transaction or set of transactions related to the sale of the entire Building. However, the sale of an individual property interest in a Building, such as that of one partial owner in a tenancy in common (regardless of percentage ownership), will not be considered a Building sale <u>if</u> such transfer or sale is not substantially connected with the transaction or set of transactions for sale of <u>all</u> property interests in the Building.

2. <u>Residential Unit Count</u>. An unlawful residential unit (i.e. does not conform to legal requirements, such as Building Code standards or permit provisions) will not count toward the minimum unit count of three (3) or more residential rental units for the purposes of defining a Building covered by COPA. For example, a building with three residential units, but one unit was constructed without permits required by the City, will not be considered a Building under COPA.

3. **Vacant Lot.** The Seller of a vacant lot must comply with COPA if the San Francisco Planning Code and other City laws, including zoning requirements, permits the use as residential and would allow the development of at least three residential units (i.e. by right). For example, a Seller would not need to comply with COPA if a Buyer would need to obtain a variance or conditional use approval to develop 3 units or more on the vacant lot. This section does not apply to any property that is not vacant.

4. **Third Party Agents.** A Seller or Qualified Nonprofit may authorize a third-party agent to act on its behalf, as permitted by law.

II. QUALIFIED NONPROFIT ORGANIZATIONS

A. **Certification Process.** To certify a nonprofit organization to exercise a Right of First Offer and/or a Right of First Refusal under COPA, MOHCD will review the prospective nonprofit organization's qualifications according to the criteria in Section 41B.4(a). MOHCD will solicit applications to become certified as a Qualified Nonprofit (the "**Application**") at least once each calendar year, at which time existing Qualified Nonprofits whose certification has expired will be allowed to apply for renewed certification. A Qualified Nonprofit's certification will be valid for three (3) years. Assuming there is no information raising doubts about an existing nonprofit organization's entitlement to certification as a Qualified Nonprofit, a MOHCD will routinely and swiftly approve the renewal. MOHCD will publish advance notice of the Application and related process on its website.

B. **Application.** Prospective nonprofit organizations must submit an Application for certification in the form and manner prescribed by MOHCD and publicly available on its website, accompanied by the following information and documentation:

1) A copy of a letter from the Department of Treasury Internal Revenue Service that confirms its tax-exempt status under 26 U.S.C. § 501(c)(3);

2) A profile describing: (1) mission, length of existence, staff experience, and characteristics of its Board of Directors, (2) any changes in activities, budget, and, if applicable, accreditation and licensing, and (3) its commitment to affordable housing and anti-displacement efforts;

3) Evidence of relationships with neighborhood-based organizations and/or tenant counseling programs, and a list of at least (3) neighborhood-based or tenant counseling organizations with which the applicant has collaborated on anti-displacement work in the City, giving adequate role descriptions and specific examples of collaboration for each;

4) Narrative describing the applicant's experience with, and capacity, including but not limited to financial and legal capacity, to effectively acquire and manage any Multi-Family Residential Building in the City; and

5) Documentation demonstrating that the applicant has acquired, or partnered with another housing development organization to acquire, at least two (2) residential buildings within the last five (5) years that have received funding from MOHCD.

C. **Publication.** MOHCD will publish on its website, and make available upon request, a list of Qualified Nonprofits with the following contact information it has on file for each:

1. A mailing address,
2. An e-mail address that the Qualified Nonprofit monitors regularly, and
3. A telephone number.

Qualified Nonprofits must update MOHCD regarding changes in their contact information.

III. GENERAL REQUIREMENTS.

A. Effective Date. The effective date of COPA is June 3, 2019 ("**Effective Date**").

B. Commencement of Rights and Obligations. Neither COPA nor these Rules will be construed to impair any contract, including any amendments or extensions to such contract, or affect any property interest held by anyone other than the Seller of a Building (including, but not limited to, any interest held under a mortgage, deed of trust, or other security interest; any option to purchase; or any right of first offer or right of first refusal), in existence before the Effective Date. Qualified Nonprofits may exercise their rights under COPA commencing on **September 3, 2019** (the "**Commencement Date**"). A Seller that has executed a written and binding purchase and sale agreement for a Building with a Purchaser that is not a Qualified Nonprofit ("Third Party Purchaser") prior to the Commencement Date will not be required to comply with COPA; provided however, if such purchase and sale agreement is terminated and/or expires after the Commencement Date, such Seller will be required to comply with COPA prior to offering the Building for Sale. A Seller that has offered or listed its Building for Sale but has not executed a purchase and sale agreement prior to the Commencement Date, must upon the Commencement Date comply with the Right of First Refusal required by COPA and described herein. Upon request, the Seller will exhibit the Building to each Qualified Nonprofit that has expressed interest in the Building and cooperate with efforts to inspect the condition of the Building.

C. Confidential Information. Nothing under COPA permits or requires the disclosure of information where such disclosure is otherwise prohibited by law. In addition, a Qualified Nonprofit and a Seller each have an independent obligation to comply with all federal and state laws regarding personal identifying information. With the exception of the notice to Sell a Building under Section 41B.6(c), a Qualified Nonprofit will maintain any information obtained from a Seller under COPA, including, but not limited to, disclosures made under Section 41B.6(c) and (e), and terms and conditions of an offer of Sale made under Section 41B.7(b) as confidential to the extent required by law (collectively, "**Confidential Information**"), except that a Qualified Nonprofit may, if otherwise permitted by law, share such Confidential Information with other Qualified Nonprofits to facilitate Qualified Nonprofits' exercise of the rights conferred by COPA.

D. **Assignability of Contractual Rights.** A Qualified Nonprofit who has entered into a purchase agreement with a Seller under COPA may only assign such purchase agreement to another Qualified Nonprofit.

IV. RIGHT TO PURCHASE

A. Right of First Offer. COPA grants a Qualified Nonprofit a Right of First Offer with respect to any Building for Sale in the City. The exercise of the Right of First Offer, as well as the obligations of the Seller, will be consistent with the following:

1. Seller's Obligation to Provide Notice. Before the Seller of a Building may allow any prospective Purchaser, other than a Qualified Nonprofit, to view that Building in person or physically inspect that Building, offer the Building for Sale to a prospective Purchaser other than a Qualified Nonprofit, the Seller will provide each Qualified Nonprofit with an opportunity to make an offer to Purchase the Building by providing a written notice via E-mail on the same calendar

day, and to the extent possible at the same time, to each e-mail address on MOHCD's list of Qualified Nonprofits (the "**Notice of Sale**"). That Notice of Sale must contain at least the following:

(i) Seller's intent to sell the Building;
(ii) The number of residential rental units in the Building;
(iii) The address of each rental unit; and
(v) The rate of rent due for each unit;

2. Time for Qualified Nonprofits to Express Interest. By no later than 11:59 PM on the fifth (5th) full calendar day after Seller has delivered a Notice of Sale, a Qualified Nonprofit may provide written notice via E-mail to the Seller to express that it wishes to further consider making an offer to Purchase the Building. If, upon expiration of the foregoing five-day deadline, no Qualified Nonprofit has provided written notice to the Seller that it wishes to further consider whether to make an offer to Purchase the Building, the Seller may immediately proceed to offer the Building for Sale to other Purchasers. If, within one year of providing the required Notice of Sale, and the Seller does not execute a written and binding purchase and sale agreement for the sale of a Building or complete the sale of Building, but still intends to Sell the Building, the Seller shall provide each Qualified Nonprofit with a new Notice of Sale indicating Seller's continued intent to Sell the Building, and at that time shall provide each Qualified Nonprofit with a new opportunity to Purchase the Building under this Chapter 41B. Every year thereafter, on the anniversary of the first required Notice of Sale, the Seller shall provide each Qualified Nonprofit with a new notification of the Seller's continued intent to Sell the Building, and at that time shall provide each Qualified Nonprofit with a new opportunity to make an offer to Purchase the Building, until the Building is Sold to a Qualified Nonprofit or a Purchaser, as applicable. If the Seller elects to not Sell the Building, the Seller shall provide each Qualified Nonprofit with written notice that the Seller no longer has intent to Sell the Building, but the Seller shall continue to comply with this Chapter 41B before the Sale of the Building

3. Additional Disclosures by Seller. Provided that a Qualified Nonprofit has timely expressed an interest in Purchasing the Building via E-mail, the Seller must additionally disclose to each such Qualified Nonprofit via E-mail the following:

(i) Name(s) and any available contact information for any tenant(s) in each rental unit, as well as any available contact information for each tenant (however, see Section III(C) above);
(ii) The number of beds and baths of each unit;
(iii) The move-in dates of each tenant;
(iv) Base rent for each rental unit;
(v) Building costs passed through to each tenant, if any;
(vi) Whether each tenant has a written lease or rental agreement; and
(vii) The annual expenses for the Building, including, but not limited to, management, insurance, utilities, and maintenance (items (i) through (vii), collectively, "**Tenant Disclosures**")

Seller may also provide additional information about the Building in its discretion.

4. Offer by Qualified Nonprofit. Provided that a Qualified Nonprofit has timely expressed an interest in Purchasing the Building via E-mail, the Qualified Nonprofit may submit a written offer to the Seller within twenty-five (25) calendar days of receipt of the Tenant Disclosures. Upon receipt of an offer, the Seller may, in writing:

(i) Reject any offer of Purchase submitted by a Qualified Nonprofit, and if the Seller rejects all such offers, the Seller may immediately offer the Building for Sale to other Purchasers, subject to the Right of First Refusal set forth in Section 41B.7 and as described below; **<u>OR</u>**

(ii) <u>Accept</u> an offer of Purchase submitted by a Qualified Nonprofit by executing a purchase and sale agreement, and the Qualified Nonprofit will have at a minimum sixty (60) days from receipt of the acceptance to conduct due diligence and secure financing related to the Purchase, unless otherwise expressly agreed upon in writing. Thereafter, the Seller and the Qualified Nonprofit will proceed with establishing a date to complete the transaction (i.e. closing date) pursuant to the terms and conditions of the parties' purchase and sale agreement.

B. <u>Right of First Refusal</u>. Section 41B.7 grants a Qualified Nonprofit a Right of First Refusal with respect to any Building, when a Qualified Nonprofit has previously:

(i) timely exercised its Right of First Offer and submitted an offer to Purchase a Building pursuant to Section 41B.6 (as described above), **<u>OR</u>**

(ii) not been given notice and opportunity to make an offer to Purchase a Building pursuant to Section 41B.6 (as described above).

Qualified Nonprofits that were notified of the Seller's original offer to Sell, but declined to express an interest or exercise their Right of First Offer pursuant to Section II, will not enjoy the Right of First Refusal. In accordance with Section 41B.7, a Seller's obligation and the exercise of the Right of First Refusal by a Qualified Nonprofit will consist of the following:

1. <u>Notification by Seller of Offer to Sell to a Third-Party Purchaser; Disclosures</u>. Whenever the Seller of a Building (a) receives from a Purchaser other than a Qualified Nonprofit **("Third Party Purchaser"**) an offer to Purchase that the Seller then wishes to accept, or (b) offers to Sell the Building on terms and conditions that a Third Party Purchaser has expressed a written desire to accept, the Seller must offer to Sell the Building on the same terms and conditions to any Qualified Nonprofit eligible for the Right of First Refusal. The Seller's offer of Sale must be submitted in writing, via E-mail, on the same calendar day (and, where possible, at the same time), to all Qualified Nonprofits entitled to the Right of First Refusal under Section 41B.7. The written offer should be in the form of a copy of the Third-Party Purchaser offer (with Third Party Purchaser information redacted). In addition, Seller will provide all Qualified Nonprofits entitled to the Right of First Refusal under Section 41B.7 with all disclosures provided from the Seller to the Third-Party Purchaser, and if Seller has not previously provided the disclosures required under Section 41B.6 within the past year of the offer to Sell the Building, Seller will provide such disclosures with the offer of Sale.

2. <u>Terms and Conditions of the Offer; Material Changes</u>. An offer of Sale to Qualified Nonprofits must contain the same terms and conditions as those described in the previous offer between the Seller and Third-Party Purchaser. These terms and conditions will include, but are not limited to, identical price, time frame to close the Sale, commission to the Purchaser's broker, and they should not be inconsistent with the timeframes described in Sections 41B.7(c) and (d). If, in proceeding to Sell to the original Third-Party Purchaser, the parties agree to material changes to the offer of Sale and/or the offer of Purchase, the offer is considered a new offer. The Seller must then present all Qualified Nonprofits with this new offer, and the Right of First Refusal process herein described is renewed. The material changes to a contract are unique to each transaction and will inevitably vary on a case by case basis. For the purpose of this section, "material changes" will generally mean changes to the significant terms of a contract that a Qualified Nonprofit justifiably relied on to make a decision to not accept a Seller's offer for a Building. As an example,

material changes may include, but are not limited to, changes to the parties to the contract, the financial terms, the property, or performance under the contract.

3. Time for Qualified Nonprofits to Accept Offer. A Qualified Nonprofit that has previously:

(i) exercised its Right of First Offer will notify the Seller and every other Qualified Nonprofit, via e-mail, of its decision to accept or reject the Seller's offer of Sale no later than 11:59 p.m. on the fifth calendar day after a Seller has submitted notice of an offer of Sale; **OR**

(ii) **NOT** had an opportunity to exercise its Right of First Offer will have until 11:59 p.m. on the thirtieth (30th) calendar day after the Seller's offer of Sale to either accept or reject the offer, and must notify the Seller and each Qualified Nonprofit of its decision via E-mail.

Notwithstanding the different time periods above, and notwithstanding any defect in the Qualified Nonprofit's notice to other Qualified Nonprofits, the first Qualified Nonprofit to accept via email the offer from the Seller will be deemed to have accepted the offer, and no other Qualified Nonprofit may accept the Seller's offer.

4. Acceptance or Rejection of Offer.

(i) If a Qualified Nonprofit notifies the Seller that it wishes to **accept** the Seller's offer of Sale, the Seller must proceed to Sell the Building to that Qualified Nonprofit and that Qualified Nonprofit will be obliged to Purchase.

(ii) If each Qualified Nonprofit that has received an offer of Sale notifies (or fails to timely notify) the Seller that **it does not wish to accept** an Offer, the Seller may proceed with the offer of Purchase previously received from, or offer of Sale previously made to, the original Third-Party Purchaser.

5. Conditional Third-Party Sales Agreements Permitted. If the Seller of a Building receives from a Third-Party Purchaser an offer to Purchase that he or she wishes to accept, or if the Seller makes an offer to Sell that a Third-Party Purchaser wishes to accept, the respective offer to Purchase and/or offer of Sale may be accepted with the contingency that no Qualified Nonprofit exercises its Right of First Refusal.

V. PRESERVATION AS RENT-RESTRICTED AFFORDABLE HOUSING

A. Existing Tenants Protected. Each existing residential tenant in the Building will be permitted to retain that tenant's existing leasehold interest, including subleases, according to the terms of that tenant's existing lease.

B. Affordable Housing Preserved. A nonprofit that has purchased a Building under the First Right to Purchase conferred by Chapter 41B must maintain the Building as rent-restricted affordable housing in perpetuity. A Qualified Nonprofit may convert such Multi-Family Residential Building maintained as rent-restricted affordable housing into a limited equity housing cooperative under Subdivision Code Division 11, provided that such Qualified Nonprofit shall fully comply with the requirements of Subdivision Code Division 11 and such Multi-Family Residential Building shall remain restricted as affordable housing consistent with this Section in perpetuity under a new Notice of Special Restriction.

C. Restriction on Rent. The average of all rent and utilities paid by all residential tenants must not exceed the amount that is equal to 30% of 80% of Area Median Income, as adjusted for household size. Qualified Nonprofits have the sole responsibility to ensure that such average is maintained for a Building purchased under COPA. Gross household income of any new tenants in the Building will not exceed 120% of Area Median Income, as adjusted for household size.

D. Notice of Special Restrictions. The Notice of Special Restrictions will restrict the Building as affordable housing and provide that no existing residential tenants at the time of the Purchase or new residential tenants following the Purchase may be evicted without just cause consistent with the substantive provisions of Administrative Code Section 37.9(a). If a Qualified Nonprofit has Purchased a Building under Chapter 41B, the Qualified Nonprofit must record at closing a Notice of Special Restrictions in the form as set forth in Appendix A, as the senior lien on the Building, and provide a copy to MOHCD as proof of recordation, and a title report confirming the lien position of such Notice of Special Restrictions.

E. Marketing and Tenant Selection Plan. No later than sixty (60) days after the Effective Date of Sale, Borrower must deliver to the City for the City's review and approval an affirmative plan for ongoing marketing of the Units and a written Tenant selection procedure for ongoing renting of the Units based on MOHCD's then-current form (the "Marketing and Tenant Selection Plan") all in compliance with the restrictions in form and substance acceptable to the City. Borrower must obtain the City's approval of reasonable alterations to the Marketing and Tenant Selection Plan. Borrower must market and rent the Units in the manner set forth in the Marketing and Tenant Selection Plan, as approved by the City.

F. Lottery and Preferences. To the fullest extent permitted by law, the Owner shall comply with the City's implementation of Preferences pursuant to San Francisco Administrative Code Chapter 47, as well as MOHCD's Housing Preferences and Lottery Procedures Manual, as amended from time to time.

G. Affirmative Marketing. Owner's Marketing and Tenant Selection Plan shall address how Owner intends to market vacant Units and any opportunity for placement on a waiting list, if applicable. The Marketing and Tenant Selection Plan shall include as many of the following elements as are appropriate to the Project, as determined by the City:

1. A reasonable accommodations policy that indicates how Borrower intends to market Units to disabled individuals, including an indication of the types of accessible Units in the Project, the procedure for applying, and a policy giving disabled individuals a priority in the occupancy of accessible Units.
2. A plan that satisfies the requirement to give preference in occupying units in accordance with the Preferences and Lottery Manual and the Preferences Ordinance.
3. Advertising in local neighborhood newspapers, community-oriented radio stations, on the internet and in other media that are likely to reach low-income households. All advertising must display the Equal Housing Opportunity logo.
4. Notices to neighborhood-based, nonprofit housing corporations and other low-income housing advocacy organizations that maintain waiting lists or make referrals for below-market-rate housing.
5. Notices to SFHA.
6. Notices to MOHCD
7. To the extent practicable, without holding Units off the market, the community outreach efforts listed above must take place before advertising vacant Units or open spots on the Waiting List to the general public.

8. An acknowledgement that, with respect to vacant Units, the marketing elements listed above shall only be implemented if there are no qualified applicants interested or available from the Waiting List.

H. Marketing and Tenant Selection Plan & Tenant Screening Criteria Requirements.

1. Borrower's Marketing and Tenant Selection Plan shall comply with the requirements of the Tenant Selection Plan Policy. The Marketing and Tenant Selection Plan must be kept on file at the Project at all times.
2. Borrower's tenant screening criteria must comply with the Tenant Screening Criteria Policy.

I. Waiting List. Borrower's Marketing and Tenant Selection Plan must contain, at a minimum, policies and criteria that provide for the selection of tenants from a written waiting list that complies with the Marketing and Tenant Selection Plan (the "Waiting List"). The Marketing and Tenant Selection Plan may allow an applicant to refuse an available Unit for good cause without losing standing on the Waiting List but shall limit the number of refusals without cause as approved by the City. Borrower shall at all times maintain the Waiting List. Upon the vacancy of any Unit, Borrower shall first attempt to select the new Tenant for such Unit from the Waiting List, and shall only market the Unit to the general public after determining that no applicants from the Waiting List qualify for such Unit. The Waiting List must be kept on file at the Project at all times.

VI. INCENTIVES

MOHCD will endeavor to maintain and publicize the list of Qualified Nonprofits in a manner that promotes the existence of the Qualified Nonprofits as a readily accessible pool of potential buyers for the Buildings.

A. Partial City Transfer-Tax Exemption. The increased tax rate imposed by subsections (d), (e), and (f) of Business and Tax Rules Code Section 1102 will not apply to a transfer of property under Section 41B.6 of the ordinance.

B. Potential Federal Tax Benefits. Any Qualified Nonprofit that purchases a Building under the Right of First offer pursuant to Section 41B.6 will work with the Seller to facilitate the realization of any federal tax benefits available under 26 U.S.C. § 1031.

C. Information to Sellers. MOHCD will produce an information sheet that:

1. Describes the benefits of a Seller's decision to accept a Qualified Nonprofit's offer of Purchase.
2. Explains that even if a Seller does not accept a Qualified Nonprofit's offer to Purchase a Building under the Right of First Offer set forth in Section 41B.6, the Building will still be subject to the Right of First Refusal set forth in Section 41B.7.
3. Contains an optional field in which the Seller may acknowledge, in writing, that she has read and understands the information sheet.

VII. ENFORCEMENT

A. Suspension or Disqualification of Qualified Nonprofits. MOHCD will promptly investigate any complaint alleging that a Qualified Nonprofit has failed to comply with Chapter 41B. If, after providing the Qualified Nonprofit with notice and opportunity to be heard, MOHCD determines that a Qualified Nonprofit has failed to comply with Chapter 41B, MOHCD may suspend or revoke a Qualified Nonprofit's certification.

B. **Seller Certification.** By no later than fifteen (15) days after any Sale, all Sellers will provide to MOHCD, a signed declaration, under penalty of perjury, affirming that the Sale of that Building substantially complied with the requirements of Chapter 41B. MOHCD will publish all such addresses on its website.

C. **Civil Action.** Qualified Nonprofit may institute a civil action against any Seller who fails to comply with the requirements of Chapter 41B.

D. **Remedies.** Remedies in a civil action brought under Section 41B.10 will include elements listed under Subsection 41B.10.(c).