The Multifamily Affordable Housing Operating Fees Policy reflects the City’s efforts to maintain policies that address the current challenges associated with managing affordable housing assets in San Francisco and keep in line with industry standards for certain operating costs. This policy replaces all previous Asset Management Fee policies, including the 10/05/2010 Asset Management Fee and Partnership Management Fee Policy.

Collectively, the operating fees addressed in this Operating Fees Policy consist of:

- Property Management Fee
- Project Sponsor Asset Management Fee
- Partnership Management Fee
- Limited Partner Asset Management Fee

I. MAXIMUM FEES

<table>
<thead>
<tr>
<th>Fee Type</th>
<th>Tax Credit Project Annual Maximum</th>
<th>Non-Tax Credit Project Annual Maximum</th>
<th>Annual Escalation</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Management Fee</td>
<td>HUD’s most current published schedule</td>
<td>HUD’s most current published schedule</td>
<td>3.5% unless underwritten in an approved MOHCD Operating Budget proforma with a lower annual escalation*</td>
<td>Payable “above the line” as project expense. Basic rate plus any applicable add-ons. Please see the most current management fee schedule published by HUD’s San Francisco Regional Center (formerly San Francisco Multifamily Hub).</td>
</tr>
<tr>
<td>Project Sponsor Asset Management Fee (AMF)</td>
<td>During tax credit compliance period, AMF is subject to combined maximum with PMF. See Maximum AMF &amp; PMF Chart. The Maximum AMF chart applies following the termination of tax credit compliance period.</td>
<td>See Maximum AMF Chart</td>
<td>3.5% unless underwritten in an approved MOHCD Operating Budget Proforma with a lower annual escalation*</td>
<td>Payable “above the line” as a project expense, for the duration of the project.</td>
</tr>
<tr>
<td>Fee Type</td>
<td>Tax Credit Project Annual Maximum</td>
<td>Non-Tax Credit Project Annual Maximum</td>
<td>Annual Escalation</td>
<td>Notes</td>
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<tr>
<td>Partnership Management Fee (PMF)</td>
<td>See Maximum AMF &amp; PMF Chart (during tax credit compliance period) Not allowed after tax credit compliance period</td>
<td>Not allowed</td>
<td>3.5% unless underwritten in an approved MOHCD Operating Budget proforma with a lower annual escalation*</td>
<td>Payable “below the line” during the initial tax credit compliance period for tax credit projects only. Any unpaid amounts up to the maximum limit can be accrued, but may only be paid after the City’s full share of residual receipts due for the current year has been paid.</td>
</tr>
<tr>
<td>Limited Partner Asset Management Fee (LP AMF)</td>
<td>$5,000 Not allowed after tax credit compliance period</td>
<td>Not allowed None</td>
<td>Payable “below the line” until the expiration of the tax credit compliance period or the exit of the limited partner investor, whichever shall occur first. Any unpaid amounts up to the maximum limit can be accrued, but may only be paid after the City’s full share of residual receipts due for the current year has been paid.</td>
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*See Section II below for additional details.

### Maximum Project Sponsor Asset Management Fee (“Maximum AMF”)

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</thead>
<tbody>
<tr>
<td>AMF</td>
<td>$19,080</td>
<td>$19,750</td>
<td>$20,440</td>
<td>$21,160</td>
<td>$21,900</td>
<td>$22,670</td>
<td>$23,460</td>
<td>$24,280</td>
</tr>
</tbody>
</table>

### Maximum Total Project Sponsor Asset Management Fee & Partnership Management Fee (“Maximum AMF & PMF”)*

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<tbody>
<tr>
<td>AMF+PMF</td>
<td>$38,160</td>
<td>$39,500</td>
<td>$40,880</td>
<td>$42,310</td>
<td>$43,790</td>
<td>$45,320</td>
<td>$46,910</td>
<td>$48,550</td>
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</table>

*Maximum amounts do not include the Limited Partner Asset Management Fee.
II. MAXIMUM ANNUAL ESCALATION RATE FOR ANNUAL ASSET MANAGEMENT FEE & PARTNERSHIP MANAGEMENT FEE

A. Projects with Approved Annual Escalation in Operating Budget
Projects may increase the amount of the Project Sponsor Asset Management Fee, and Partner Partnership Management Fee by the same rate of increase used for other project expenses in the MOHCD 20-year Operating Budget Proforma approved during City underwriting, or any subsequent proforma approved by the City.

B. Projects without Approved Annual Escalation in Operating Budget
If the project’s 20-year Operating Budget Proforma is silent with regard to the Project Sponsor Asset Management Fee or Partnership Management Fee, and any of these fees are subsequently approved in writing by MOHCD, then the default annual increase is 3.5% per year, effective January 1, unless the City chooses by November 1 of the prior year to forego or postpone the increase.

III. APPROVAL PROCESS FOR PROJECTS NOT CURRENTLY SUBJECT TO THE OPERATING FEES POLICY

Projects with existing city gap funding agreements that are not currently subject to the Operating Fees Policy may be eligible for the Policy. The approval process for projects not currently subject to the policy is described below.

A. Projects with City Funding Agreements that Include Provisions for Allowable Operating Fees
As with all aspects related to the development and operation of a project, the ultimate source of guidance for how the project must be developed and operated is the funding agreement (including the other documents related to the loan/grant agreement, such as the Promissory Note and Declaration of Restrictions). If a City funding agreement for a project includes any guidance related to allowable Operating Fees, the funding agreement must be followed unless an amendment is executed. The City will review requests for amendments, but project sponsors must recognize that the initial underwriting assumptions and current project circumstances may make it impossible to revise the guidelines in any significant way. Sponsors seeking amendments should be prepared to provide significant updates about project operations, including but not limited to:

- Updated 20-year Operating Budget Proforma
- Variance analysis/es
- Operating reserve analysis
- Replacement reserve analysis informed by a current capital needs assessment
- Descriptions of asset management structure and staffing and sources of income to cover asset management costs
- Asset Management Plans
- Analysis/es of obstacles to effective property management and/or asset management

B. Projects with City Funding Agreements that are Silent on Allowable Operating Fees
For projects for which the City’s underlying funding agreements are silent about Operating Fees, the project may take the Operating Fees in accordance with this policy but only if all of the following conditions are met.
• The project is in full compliance with all of the City’s funding agreements.
• Project funds can support the Operating Fees proposed to be taken, as evidenced in an updated 20-year MOHCD Operating Budget Proforma.
• The project submits a written request to the City, and the City approves the request in writing.

Other fees, such as fees proposed for compliance, reporting, and other asset management-related functions must be paid out of the fees included within the Operating Fees Policy. No other fees will be allowed for project underwriting and during project operations.

*Important note regarding possible conflicts with the funding agreements of other project funders:*
The City recognizes that agreements with other project funders may not be consistent with those of the City, and encourages sponsors to assess agreements for inconsistencies. Under no circumstances should the existence of an agreement based on the policy of one funder be used by a project sponsor as a justification for failing to satisfy the requirements of any other project funder(s).

IV. WAIVERS OF THE OPERATING FEES POLICY

The Citywide Affordable Housing Loan Committee may recommend a waiver or modification of any portion of this policy for the purpose of assuring project feasibility. All recommendations related to this policy are subject to the Mayor’s approval in his or her sole discretion.

V. POLICY IMPLEMENTATION

This policy applies to any development that has not received its gap financing commitment, as evidenced by an approval for financing by the Citywide Affordable Housing Loan Committee, by the effective date of the policy.