

**Inclusionary Program Manual 2018 Update Summary
October 3, 2018**

The Inclusionary Affordable Housing Program Manual, 2018 is scheduled to be considered by the Planning Commission on October 11, 2018. We anticipate the new manual to be in effect November 1, 2018. There is a community feedback meeting scheduled at MOHCD on September 20, 2018 at 10am. Below is a summary of the major changes to the 2013 Inclusionary Manual. This summary is to be used as a reference. Readers can view the updates in full detail within the draft Manual.

1) Applicant Barrier Removal – These updates were made in an effort to remove unnecessary barriers to accessing both ownership and rental BMRs or to clarify program eligibility requirements.

Policy	2013 Manual	2018 Manual
Income & Asset Requirements Sections II & III	Missing details and standard practices.	More transparency with clarifications and explanations. Standard practices are codified.
	Complicated, inconsistent income calculation practices.	Simplified income calculations and standardized practices across rental and ownership programs.
	Nontaxable income is considered the same as taxable income.	To help with income qualification, non-taxable income may be grossed up by 125% to be equitable with the considerations given taxable income.
	Asset Test for ownership BMRs – 10% of liquid assets over \$60k is counted toward income.	When contributing 20% or more down payment, the greater of the 20% down payment or \$60k will not counted toward income.
	Asset Test for rental BMRs – same as ownership BMRs (10% of liquid assets over \$60k is counted toward income).	Updated to \$30k.
	The income of all adult household members over the age of 18 is counted toward household income, including income from a full-time student under 24.	With certain criteria, only \$480 of student income is included in the total annual household income.
	Senior Asset Exemption - up to \$127k (single) and \$190k (married) are not counted toward income.	Updated to \$150k (single) and \$250k (married).
Household Requirements Section II	Silent.	Applicants must have court-ordered custody agreement providing 30% or more custody of children in order to count children (who are not claimed as dependents on tax returns) as household members.
	Silent.	Clarifications on no citizenship, legal residency or immigration requirements for renters or owners.

Policy	2013 Manual	2018 Manual
BMR Ownership Section IV	All household members age 24 or older must appear on Title.	Household members that do not count toward the unit size and their income does not affect the household's income eligibility, do not have to appear on Title.
	Missing details on application practices.	Updated to current practices.
	Full application is required prior to lottery with all income and asset documentation.	Simplified lottery application with proof of first time homebuyer education completion and loan pre-approval. Income and asset documentation is required after lottery.
	Pre-approval must be building or unit-specific. Expiration date: silent.	Pre-approval is not specific to a building or unit. Expiration date: 120 days.
	Option to increase qualifying AMI to 120% if a project owner or BMR owner cannot find an eligible buyer at the maximum allowable resale price.	Specified marketing requirements and price reductions if necessary, before considering an increase in qualifying AMI to 120%.
	5% down payment: 3% must come from buyer's own fund and 2% can be from gift funds.	3% down payment: 3% can be from gift funds.
	Realtor representation and compensation must match market rate transactions unless seller's agent acts as dual agent.	A developer can choose to compensate MOHCD approved non-profit agency in lieu of compensating a buyer's agent as long as seller's agent acts as dual agent. Additionally, all realtors in a transaction must have a San Francisco office location.
	Transfer tax must be paid by Project owners in initial sales, but silent on resales. 5% realtor fees included in the maximum resale price.	Included that transfer tax must be paid by the Project or BMR owners in both initial sales and resales. Added that realtor fees up to 5% shall be split 50-50 between listing-selling agents.
	Silent.	BMR buyers attend a meeting with MOHCD staff to acknowledge restrictions and answer program questions prior to closing.
	Silent.	Section 8 homeownership program allowed and monthly mortgage subsidy to owner counted toward income.

Policy	2013 Manual	2018 Manual
BMR Rental Program Section V	Minimum income requirement 2.5 times the monthly rent.	Minimum income requirement 2 times the monthly rent.
	Developer may require a minimum credit score as long as it is applied evenly in building.	Credit score requirement above 620 must mitigating circumstances: most recent 24 months of on-time payments for bills and credit accounts; most recent 24 months of on-time rent payments of equal or greater value to the proposed rent for the BMR rental unit; negative credit due to outstanding medical or student loan debt or unpaid balances below \$2500; and alternate forms of credit history such as rent payments, insurance, utilities and childcare paid on time, especially in the case where an individual has no credit, should always be taken into consideration.
	Eviction history left up to developer, as long as it is applied evenly in the building.	Eviction history limited to the last 3 years. No denials for “no fault” eviction. Project Sponsor must consider mitigating circumstances for eviction.
	Criminal history left up to developer.	Updated to be compliant with Article 49 of the SF Police Code – the Fair Chance Ordinance.
	Silent.	Allows use of guarantor in-lieu of meeting credit or minimum income standard.
	Missing details and standard practices.	Added rules about applying fees in addition to rent and established specific levels of rent amount depending on the utilities pay by the property owner and addresses the use of RUBS systems.
	Project owners are allowed to charge rents above the Maximum Allowable Rent when using a rental subsidy.	Project owners must not enter into a lease with a BMR tenant with rents higher than the Maximum Allowable Rent, even when using a rental subsidy.

2) Program Sustainability and Protection – These updates were made to ensure that the units produced through the Inclusionary BMR program are utilized by the target populations for the intended purposes and for generations to come.

Policy	2013 Manual	2018 Manual
Income & Asset Requirements	Silent.	Added rules about voluntary wage reduction for qualifying purposes.

Sections II & III		
BMR Ownership Section IV	Removal of an applicant for income qualifying purposes is allowed.	Removal of an applicant is only allowed in the case of death or dissolution of marriage.
	When there is an inability to obtain financing, a homeowner can rent or accept “all cash” buyers.	Added basic criteria for addressing an inability to obtain financing.
	After the lottery, applicants have 10 calendar days to accept the unit by signing a sales contract.	Applicants have 7 calendar days to accept a BMR unit.
	Silent.	Added requirement for a general home inspection for the purchase of a resale BMR unit.
	Silent.	Added after purchase homeowner education requirement with a refundable deposit taken at closing.
	Missing details and standard practices.	Clarified policies with regard to renting, insurance, resale pricing, financial hardships, annual monitoring and title changes.
	BMR units cannot be held in a living trust.	MOHCD will consider pre-approved living trusts.
	Allows cash equity withdrawals up to 95% of original purchase price.	Cash equity withdrawals are limited. Added that refinancing within first year of ownership may not be considered.
	100% of HOA special assessments can be added to a seller’s resale price.	Added depreciation rate of 7% per year on an HOA special assessment credit.
BMR Rental Program Section VI	Silent.	Added rules prohibiting subletting of parking spaces and warnings about enforcement actions.
	When a household composition changes, it must meet the current eligibility standards.	Added prohibition of household changes within the first year of a lease, except for special circumstances.
	BMR units must be maintained by both owners and renters.	Requires owners to maintain BMR units as they do with market rate units.
	Silent.	Renters must sign an acknowledgment of the restrictions on a BMR rental when entering a new lease.
	No transfers between BMR units at any time.	Allows transfers between units within the same building, under special circumstances.
	Silent.	Project Owners can never increase rent more than the most recent year’s annual increase in AMI.

3) Project Sponsor Updates – These updates were made to modernize, simplify and clarify requirements for Project Sponsors and Owners.

Policy	2013 Manual	2018 Manual
Project Sponsor Requirements Section VII	Silent.	Project Sponsor must attempt to contact an applicant by email, text, mail, telephone and an alternate contact listed on the application before moving on to the next applicant.
	BMR buyers that do not purchase parking pay less than the maximum allowable purchase price and parking is often unaffordable to buyers because it is priced well over the maximum allowable purchase price.	Parking pricing for ownership units is limited to 10% above maximum income level specified in the NSR. Ownership units without parking are priced at the maximum allowable sales price.
	If parking spaces allocated to BMR units are not leased or sold at initial occupancy, the developer can lease or sell them at market rate.	No change for ownership units. Rental spaces can be temporarily leased at market rate. However, Project Sponsor must keep a waiting list for all BMR renters interested in parking and allocate parking according to the waitlist.
	BMR renters paid \$100 monthly for a parking space with no annual increases.	Tiered rental parking rates dependent on the unit’s designated AMI in the NSR with a cap of 80% of the project’s average monthly parking rate for market rate parking for each tier level. Allowable 2% increase of parking rate if in compliance with annual recertification.
	Silent.	Community Facilities District Fees paid by a homebuyer are added in the calculation of the purchase price.
	Silent.	Added requirement for a BMR marketing sign to be posted at construction start on site.
	Project Sponsor must take out ads in at least one local newspaper of general San Francisco circulation for at least two weekend days during the marketing period.	Newspaper requirement removed. Project Sponsors must increase engagement with community based organizations and social media when marketing units.
	Silent.	Qualifications for marketing, sales and lease up firms include language capacity in the City’s official languages and other culturally

		competent skills.
	Vague language regarding conversion of BMR rentals to ownership units.	Clarified requirements for the process of conversion, the condition of the unit and the length of time allowed a renter to exercise their right to purchase.
	Scattered and missing details for lottery, lottery preferences, applicant screening, applicant appeals, and the use of DAHLIA SF Housing Portal.	Moved all pertinent information to the Housing Preferences and Lottery Procedures Manual.

4) Planning Code Amendments – These updates reflect the 2017 and other amendments to the Planning Code.

2013 Manual	2018 Manual
All new ownership BMR units priced at 90% AMI with maximum income at 100% AMI.	Tiered purchase price amount between 80% and 130% AMI, with tiered maximum allowable income limits up to 150% AMI.
All new rental BMR units priced at 55% AMI.	Tiered rent amount between 55% and 110% AMI, with tiered maximum allowable income limits up to 130% AMI.
Minimum household size must match number of bedrooms in a BMR unit.	Households that rent units priced at 110% AMI or buy units priced at 130% AMI must have a minimum occupancy of 2 persons.
BMR unit location is specified in the NSR.	Added reference to ZA Bulletin 10 regarding location of units.
Minimal or no information.	Added information about programs such as the State Density Bonus, HOME SF, Planning Code Section 124(f) and 419, Condo Conversion, and Replacement Units which are all governed by the Manual.