

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  
San Francisco Housing Authority

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**MEMORANDUM**

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TO: Citywide Affordable Housing Loan Committee

FROM: Scott Madden, Asset Manager

DATE: April 16, 2021

RE: Small Sites Program – Marketing and Leasing Manual

MOHCD's Small Sites Program ("SSP") was established in 2014 to prevent speculative, market-driven displacement of low- and moderate-income tenants from small, rent-stabilized apartment buildings in San Francisco. The program seeks to preserve such properties as permanently affordable housing by providing loans to qualified entities for the acquisition and rehabilitation of eligible properties. To date, the SSP has provided \$141.7 million in financing to four organizations for the acquisition, rehabilitation and preservation of 52 properties, with a total of 439 units.

This memo seeks Loan Committee's approval of a new SSP Marketing and Leasing Manual. The Manual has been created to help improve efficiency in the marketing and leasing of affordable housing units in projects that have been financed by SSP. It establishes a set of procedures and policies for marketing and leasing activity and is intended for use by owners, property managers and leasing agents of SSP projects. It was developed in collaboration with MOHCD's Homeownership and Below Market Rate (HBMR) team, with significant input from SSP project sponsors.

Vacancy Loss

Despite the tremendous need for affordable housing in San Francisco and the Bay Area, owners and managers of SSP properties have experienced challenges with marketing and leasing vacant units in a timely way. In 2018, for example, the average vacancy rate across all SSP projects was 9%, nearly twice the rate of 5% that is assumed for loan underwriting. Across the 12 projects that experienced vacancies in that year, it was 22%. This represents an average vacancy loss of \$10,300 across all buildings and \$24,100 among those that had vacancies. This loss represents diminished and inefficient access to precious affordable housing resources by low- and moderate-income San Francisco residents and threatens the financial sustainability of these very small projects.

### Purpose of the Manual: Improve Marketing and Leasing Process and Timelines

In an effort to improve occupancy levels and reduce vacancy loss, MOHCD has created the Marketing and Leasing Manual to assist owners and managers of SSP properties to fill vacant units more quickly and efficiently and with less involvement by MOHCD staff. The Manual contains a set of standard procedures to be followed each time a vacancy occurs at an SSP project. These procedures mark important changes from the historic practices under the Small Sites Program since it was created. The principal changes are as follows:

- Waiting lists to be required – Currently, SSP projects do not use waiting lists to fill vacancies and, instead, the practice is to market and hold lotteries for individual vacant units each time they occur. With the new Manual procedures, project sponsors will broadly market all of the units at a single project through DAHLIA and then work with the waiting list that is created from a lottery in order to fill vacant units for three to five years into the future. This change will save significant amounts of staff time, for both MOHCD and the project sponsor organizations, that is currently spent on the preparation, review and approval of marketing plans, posting of vacancies on DAHLIA, and preparing for and conducting lotteries and associated follow-up work. In addition, the change will bring the leasing of vacant units in the SSP portfolio into alignment with the leasing process (from waiting lists) that is practiced at most projects in the MOHCD multifamily rental portfolio. The use of waiting lists will be monitored annually in connection with each project’s Annual Monitoring Report to MOHCD.
- TCAC procedures for income certifications – Currently, SSP projects follow the procedures from MOHCD’s Inclusionary Affordable Housing Program Manual for income qualification and certification. With the new Manual, project sponsors will instead use the procedures of the California Tax Credit Allocation Committee (“TCAC”), with certain MOHCD modifications, to conduct initial and annual tenant income certifications. Sponsors will use TCAC’s Online Compliance Manual, HUD’s Occupancy Handbook and TCAC forms to conduct income certifications. This change will align the required income certification procedure for SSP projects with the one used at most affordable housing developments within MOHCD’s multifamily rental portfolio.
- MOHCD’s approval of income certifications and leases not needed – Under current procedures, SSP projects require MOHCD’s approval to lease a vacant unit. Under the new Manual procedures, project sponsors will conduct the income qualification process independently and will not be required to obtain MOHCD’s approval. This change, too, will align the income qualification and leasing process for SSP units with MOHCD’s current practice across the multifamily portfolio. MOHCD reserves the authority to examine and audit income certifications and leases as necessary to confirm compliance.

MOHCD Asset Management staff vetted the Manual internally, including a close collaboration with the HBMR Team, and among Small Sites Program stakeholders, by gathering written

comments and through a series of meetings. We also solicited input on the document from the larger affordable housing community in San Francisco, including a direct mailing of the draft manual to over 800 contacts and a posting on the MOHDC web site. The Manual will take effect upon Loan Committee's approval and would be put to use immediately at a dozen SSP projects that currently have vacancies.

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: \_\_\_\_\_  
Salvador Menjivar, Director of Housing  
Department of Homelessness and Supportive Housing

APPROVE.     DISAPPROVE.     TAKE NO ACTION.

\_\_\_\_\_ Date: \_\_\_\_\_  
Sally Oerth, Acting Director  
Office of Community Investment and Infrastructure

APPROVE.     DISAPPROVE.     TAKE NO ACTION.

\_\_\_\_\_ Date: \_\_\_\_\_  
Anna Van Degna  
Public Finance Director, Controller's Office

Attachment: Small Sites Program – Marketing and Leasing Manual

## Chavez, Rosanna (MYR)

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**From:** Shaw, Eric (MYR)  
**Sent:** Friday, April 16, 2021 12:05 PM  
**To:** Chavez, Rosanna (MYR)  
**Subject:** marketing and leasing manual for small sites

approved

Eric D. Shaw  
Director

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

## Chavez, Rosanna (MYR)

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**From:** Guttirez, Alan (HOM)  
**Sent:** Wednesday, April 21, 2021 8:30 AM  
**To:** Chavez, Rosanna (MYR)  
**Cc:** Menjivar, Salvador (HOM); Shaw, Eric (MYR)  
**Subject:** Marketing and Leasing manual for small sites

Hi Rosanna,

On behalf of Salvador Menjivar, I am voting YES to the marketing and leasing manual for small sites.

In partnership,  
Alan



**Alan Guttirez (he/him)**

Housing Subsidy Team Manager

San Francisco Department of Homelessness and Supportive Housing

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## Chavez, Rosanna (MYR)

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**From:** Oerth, Sally (CII)  
**Sent:** Friday, April 16, 2021 12:05 PM  
**To:** Chavez, Rosanna (MYR)  
**Cc:** Shaw, Eric (MYR); Madden, Scott (MYR)  
**Subject:** Marketing and Leasing Manual for Small Sites Prgm, 4.16.21 Loan Committee

I approve the marketing and leasing manual for the Small Sites Program, as presented at the 4.16.21 Loan Committee.



**Sally Oerth**  
**Interim Executive Director**

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## **Chavez, Rosanna (MYR)**

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**From:** Van Degna, Anna (CON)  
**Sent:** Friday, April 16, 2021 12:04 PM  
**To:** Chavez, Rosanna (MYR)  
**Cc:** Shaw, Eric (MYR)  
**Subject:** marketing and leasing manual for small sites

Approved

### **Anna Van Degna**

Director, Controller's Office of Public Finance  
City & County of San Francisco  
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# SMALL SITES PROGRAM

## MARKETING AND LEASING MANUAL

The purpose of the Small Sites Program (“SSP” or “Program”) Marketing and Leasing Manual (“Manual”) is to set forth the policies and procedures for the marketing and leasing of SSP units. The primary audience for this Manual is owners, property managers and leasing agents of SSP buildings (“Owners”). The Manual is intended to support the equitable marketing and efficient leasing of SSP buildings. This Manual will be updated from time to time in response to changes in the Program and/or to clarify or improve upon the policies and procedures contained herein.

### I. LAWS AND GUIDELINES

Below are the key laws, regulations, and guidelines that govern the SSP marketing and leasing process and will be referenced throughout this Manual.

#### A. Fair Housing

Owners must comply with all applicable federal, state and local fair housing laws. An Owner’s marketing and leasing of SSP 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.

#### B. CTCAC/HUD Guidelines

1. The procedures of the California Tax Credit Allocation Committee (CTCAC). Owners must follow CTCAC procedures for the review and qualification of applicants for SSP housing, as contained in the [CTCAC Online Compliance Manual](#). However, note that MOHCD imposes certain adjustments to these procedures, as detailed below in Section III.D.
2. HUD (U.S. Department of Housing and Urban Development) Occupancy Handbook 4350.3 (Chapter 5). This [chapter](#) of the HUD Handbook has been adopted by CTCAC and should be used as a guide for determining the income eligibility of applicants for SSP units.

#### C. MOHCD/SSP Guidelines

1. SSP Program Guidelines. The [Program Guidelines](#) describe “Income and Rent Restrictions” and “Ongoing Affordability” rules that govern the rent-setting of SSP units.
2. MOHCD Marketing, Housing Preferences and Lottery Procedures Manual. This [document](#) governs the process for marketing and holding lotteries through MOHCD’s [DAHIA](#) system, which must be used for the SSP. In addition, this document sets forth the requirements for compliance with the City’s housing preferences under Administrative Code Chapter 47.
3. SSP Marketing Procedures for Group Housing Sites. [This document](#) outlines marketing, waitlist, and leasing requirements specific to SSP buildings that are group housing sites.

### II. MARKETING AND WAITLIST LOTTERY PROCESS

#### A. Waitlist Lottery is Required





Each Owner of an SSP building will be required to establish a building-based waitlist from which to identify and qualify applicants for leasing vacancies. The waitlist will include households at a range of sizes and incomes applicable to the unit and rent mix of the building. All waitlists will be established by conducting a lottery through the MOHCD DAHLIA system, and all households that meet the income and occupancy requirements specific to a building's unit mix will be able to apply. Once the waitlist lottery is held and MOHCD generates the building's waitlist, the Owner will be responsible for administering the waitlist and using it to lease building vacancies. Waitlists for SSP buildings will be valid for up to five years.

## **B. Setting Rent and Income Levels for the Waitlist Lottery**

The SSP Program Guidelines and each project's MOHCD Loan Agreement and Declaration of Restrictions lay out rules and requirements for setting future rent levels at SSP buildings. Under the current Program Guidelines, SSP buildings must achieve an average of 80% Area Median Income (AMI) rents over time as the building experiences turnover. Additionally, rent for any single unit may be set up to a maximum of 120% AMI in order to achieve the required AMI average; however, SSP maximum rents must be capped at 20% below market rate for the building's immediate neighborhood, as substantiated by rental comparables. Owners should also consider the rent and income limits that are necessary to qualify for the Welfare Exemption and property tax liability when leasing SSP units.

To initiate the process of setting the rent and income parameters for a building's waitlist lottery, the Owner must submit a completed [SSP Waitlist Rent Roll](#) form to their MOHCD SSP Contact (i.e., the MOHCD-assigned Project Manager or Asset Manager). Considering the project's financial feasibility, market rents, current income and rent levels of the building, and the possible scenarios in which units will become vacant over time, the SSP Contact will work with the Owner to determine a range of future income and rent levels for each unit in the building. This range will be used to market the building's units on DAHLIA and generate a waitlist of applicants.

## **C. Initiating the Marketing Process**

Once rent/AMI levels are established for the project's future leasing, the Owner must submit the following documents to their SSP Contact:

1. [Marketing and Tenant Selection Plan for Small Sites Program](#)
2. Unit Table
3. Outreach/Marketing Flyer
4. [Resident Selection Criteria](#)
5. The Owner's SSP Lease Agreement template, including all addendums (Appeal Policy, Grievance Policy, Reasonable Accommodation Policy, Transfer Policy, House Rules, etc.)
6. The Owner's rental application
7. The Owner's Landlord Verification (if applicable)
8. The Owner's Acceptance Letter
9. The Owner's Disqualification Letter

For group housing sites, additional documents are required per Section I.C.3.

The SSP Contact will work with a MOHCD Marketing Specialist to review the documents and request any necessary changes or clarifications from the Owner. Once the documents have been finalized and



approved by MOHCD, the building will be marketed on DAHLIA and through other media and marketing outreach, by the Owner, to solicit waitlist lottery applications. Owners should refer to the SSP Marketing and Tenant Selection Plan for specific details on what the marketing process entails, including the typical timeline.

#### **D. Lottery and Creation of a Project-Based Waitlist**

Refer to the [MOHCD Marketing, Housing Preferences and Lottery Procedures Manual](#) for specific details on the lottery process and timeline. Once the waitlist lottery has been held, MOHCD will generate the building's waitlist. The MOHCD Marketing Specialist will send the waitlist to the Owner, including instructions for managing the waitlist, administering preferences, and communicating with households on the waitlist. The MOHCD Marketing Specialist can provide further one-on-one training to the Owner on how to administer the waitlist, as needed. Once the waitlist is provided, the Owner will send a letter to households on the waitlist to alert them of their status on the waitlist and request that they notify the Owner if the household's contact information changes or if the household wants to be removed from the waitlist. Additionally, the Owner must contact the households on the waitlist in writing annually to determine if they want to remain on the waitlist. If households do not respond within two weeks, they must be removed from the waitlist.

### **III. LEASING PROCESS**

#### **A. Household Size Requirements**

Owners must ensure that the leasing of vacant units in SSP projects and the continued occupancy of the units complies with the following requirements.

1. Minimum and Maximum Household Size: The minimum household size for an SSP unit is one person per bedroom. The maximum household size is the least restrictive of the following:
  - a) [Section 503](#) of the San Francisco Building Code; or
  - b) Two people per bedroom plus one additional person per unit.Children under the age of six (6) are not counted towards maximum household size.
2. An overcrowded household is a tenant household whose size exceeds the maximum size allowed under III.A.1. above. An overhoused household is a tenant household whose size is less than the minimum size allowed under III.A.1.
3. If a tenant household becomes overcrowded or overhoused during the course of their tenancy, the Owner shall relocate the household to an appropriately sized unit within the property as soon as possible, provided that such a unit exists and is or becomes available within the building. In addition, the Owner shall encourage and assist the overcrowded or overhoused household to apply for an appropriately sized affordable housing unit outside of the building.
4. For overcrowded or overhoused tenant households who were residing in an SSP project at the time of acquisition, Owners shall follow the guidelines under II.E.1.j of the SSP Program Guidelines.

#### **B. Setting Rent Level at Unit Turn-Over**

When an Owner is notified of a forthcoming vacancy in an SSP building, the Owner must update the building's original SSP Waitlist Rent Roll with the current household sizes, annual household incomes, and rents of all existing tenants in the building and submit it to their SSP Contact for approval. The updated SSP Waitlist Rent Roll will indicate the rent amount and income limit at which the vacant unit



must be leased in compliance with the project's MOHCD Loan Agreement and Declaration of Restrictions. If the Owner wishes to rent the vacant unit at a different rent amount – for example, if the Owner thinks the designated rent cannot be achieved in the current market – they must request and receive approval from their SSP Contact. MOHCD reserves the right to require an Owner to provide neighborhood market rate comps.

### **C. Using the Project Waitlist**

Once the rent level for the vacant unit has been set, the Owner must follow the instructions and training that were provided by the MOHCD Marketing Specialist for administering the waitlist. The Owner may filter the waitlist by the household sizes that meet the Household Size Requirements for the vacant unit. When contacting households on the waitlist, the Owner should provide specific details about the vacant unit so that households can determine whether they will submit full applications and income documentation. The Owner must follow CTCAC procedures regarding the rental application and documentation requirements, except for the adjustments described below in Section III.D.

Owners must accept applications from approved Certificate of Preference (COP) and Displaced Tenant Housing Preference certificate (DTHP) holders at any time, regardless of whether the waitlist is closed to other applicants. If the COP or DTHP holder meets the income or eligibility requirements for a unit, they shall be placed at the top of the waitlist, behind any existing COP or DTHP households, respectively, who are already on the waitlist. For more information about preferences, refer to the [MOHCD Marketing, Housing Preferences and Lottery Procedures Manual](#).

### **D. Application Review and Income Qualification**

To qualify applicants for vacant units at an SSP project, the Owner must follow CTCAC's application review standards and income certification procedures, per Section I.B. above, except as indicated in 1-4 below. Owners should use the Tenant Income Certification (TIC) form that is attached to the MOHCD Loan Agreement (or more recent version that is available through CTCAC), as well as CTCAC's Tenant Income Certification Questionnaire (TICQ) form, to conduct both initial income certifications and annual income recertifications. With MOHCD's prior written approval, an Owner may opt to use the regular CTCAC procedure (as amended from time to time) for a particular SSP building, in lieu of the modified procedures below. An Owner must use either the modified procedures herein or the regular CTCAC procedure at an SSP building, but never both.

The following adjustments to CTCAC's application review and income verification process are required by MOHCD for all SSP Owners:

1. To verify employment income, all members of the household age 18 and older will be required to submit paystubs for the most recent and consecutive pay periods, with the most recent paystub dated no earlier than 30 days prior to the date of the rental application, that cover a minimum of six weeks, from all earned income sources. If a household member is self-employed, they must submit a year-to-date Profit and Loss Statement.

Written, third-party verification of employment income, as described in Part 4.3(B)(1) of the CTCAC Online Compliance Manual is not required. However, if paystubs cannot be provided, the employment and wage income of an applicant will be verified through the use of a CTCAC



Employment Verification form, in accordance with "Section 3: Verification" of [Chapter 5 of the HUD Occupancy Handbook](#).

2. Applicants will be required to submit three (3) most recent and consecutive months of bank or asset statements, with the most recent statement dated no earlier than 30 days prior to the date of the rental application, from all bank or liquid asset accounts. Any two or more deposits that equal or exceed \$500 must be treated as quarterly income in the calculation of annual household income.

Third-party verification of assets, as described in Part 4.3(D) of the CTCAC Online Compliance Manual will not be required, regardless of the value of assets held. However, in cases when asset statements are missing, inconsistent or irreconcilable, applicants will be required to sign and authorize the Verification of Deposits (VOD) form. In cases where no bank information is provided, applicants will be required to write a statement explaining how any income is received, and they will be required to verify that information. For example, income from Social Security or unemployment benefits that are deposited directly from the income source to a debit card may be verified via receipt. Additional or alternative methods of verification may be requested as needed.

3. Applicants will be required to submit the two most recent years of federal income tax returns with all IRS schedules, forms, W2s, 1099s, and a Schedule C, if self-employed.
4. Non-liquid assets such as retirement accounts, life insurance, or pension plans will not be used to disqualify applicants. Any income that is drawn from these sources as cash or otherwise made available for expenditure through checking, savings or other liquid bank accounts will be taken into account in the calculation of annual household income.

The following requirements apply to any Small Sites Property, irrespective of the type of income certification procedure that the Owner has elected to use.

**Fair Chance Ordinance:** The SSP Owner must contact households and review applications in lottery rank order. Income and assets eligibility must be approved prior to running a credit report or verifying rental history. Criminal background checks, if conducted, must be the final step, and must be completed in accordance with the San Francisco [Fair Chance Ordinance](#). Among other things, the Fair Chance Ordinance prohibits an Owner from considering criminal records that occurred over seven (7) years before the date of review of an application. For more information on the Fair Chance Ordinance and applicant rights when it comes to criminal background checks, contact the San Francisco Human Rights Commission.

Criminal background checks, credit checks or rental history reports, if required by a project's Resident Selection Criteria, should only be conducted for initial applicant screenings, and not for income recertification purposes.

**Ownership of Residential Property:** No member of an applicant household or any existing tenant household may own any interest in any residential property, as that term is defined in the Planning Code, regardless of:



- Whether or not that residential property produces a financial gain; or
- Where the residential property is located; or
- Whether the residential property was ever used as the applicant's primary residence.

MOHCD Area Median Income: All SSP Owners must use Area Median Income (AMI), as defined and published by MOHCD, not by CTCAC, to set income limits and required/maximum rents. This includes the use of the following charts, each published annually by MOHCD: 1) the Maximum Income by Household Size and 2) the Maximum Monthly Rent by Unit Type.

Signatures: All documents pertaining to marketing, leasing, tenant screening, income certifications and other related activities that must be signed by applicants, tenants, property managers or Owners may be executed with "wet" signatures or through DocuSign.

#### IV. INCOME RECERTIFICATION

- A. Notwithstanding any requirements contained in a project's MOHCD Loan Agreement to the contrary, Owners may conduct annual income recertifications of tenant households only at the first anniversary of their leases and may discontinue conducting them thereafter, except as described under B. and C. below.
- B. An Owner must conduct a full annual income recertification of a tenant household each time that there is a change in the membership of the household.
- C. An Owner must conduct a full annual income recertification of a household if the Owner wishes to forego a required annual rent increase for the household because such rent increase would create a rent burden of 50% or add to an existing rent burden of 50%.
- D. Tenants who were residing in an SSP project at the time when it was acquired by the Owner and who completed an income certification in accordance with Section E(1)(d) of the SSP Guidelines, must be income recertified according to the procedures under section III. D. within the first year of the term of the MOHCD Loan Agreement.

#### V. MOHCD MONITORING AND BUILDING OWNER CAPACITY

##### A. MOHCD Monitoring of Owner Marketing and Leasing Requirements

In addition to requiring the Owner to submit the Annual Monitoring Report, MOHCD may exercise all other rights available to it under the Loan Agreement to monitor the Owner's performance of the requirements under this Manual, including on-site inspections and examination of books, records and other documents relating to marketing and leasing activities, income qualifications, tenant selection, lease enforcement, waitlist administration and other related activities.

##### B. Building Owner Capacity

While many SSP Owners are familiar with CTCAC procedures, it is imperative that all SSP Owners build their knowledge of and capacity to implement CTCAC's income qualification and certification process, including familiarity with required forms and protocols, as well as capacity to conduct fair and unbiased appeals of applicants who are determined to be ineligible for the SSP housing. It is required that SSP Owners attend CTCAC compliance training [workshops](#) at least annually, or more frequently, as needed. SSP Capacity Building Grant funds, as available, may be used to pay for these trainings. In addition, SSP Owners must provide for internal training of new staff people by existing staff members who have previously attended a CTCAC training.



## **VI. EXCEPTIONS**

MOHCD reserves the right to waive any portion of this Manual, or to make exceptions on a case-by-case basis, for the purpose of preserving at-risk buildings as permanently affordable housing. Such waivers and/or exceptions shall be granted through the written approval of the Director of MOHCD, in his/her/their sole discretion.