TO: Sponsors of MOH-Funded Affordable Rental Housing Projects
RE: 2014 INCOME and RENT LIMITS
DATE: December 31, 2013

On December 18, 2013, the Department of Housing and Urban Development (HUD) issued the 2014 Area Median Income (AMI) limits for the San Francisco HUD Metro Fair Market Rent Area (HMFA).

BACKGROUND
The Mayor’s Office of Housing and Community Development (MOHCD) of the City and County of San Francisco uses the unadjusted Area Median Income published annually by HUD to establish the income limits and maximum rents that must be used at MOHCD-funded affordable housing projects in a given year. Each year MOHCD publishes a chart of “Maximum Incomes by Household Size” that show these income limits as percentages of unadjusted AMI for households from 1 to 9 persons. MOHCD also publishes a chart of “Maximum Monthly Rent by Unit Type” that shows the maximum rents that may be charged in MOHCD-funded projects, depending on the applicable income limit. MOHCD has published the 2014 charts on the MOHCD web site with an effective date of January 1, 2014.

Owners and managers of MOHCD-funded affordable housing projects must rent their units in accordance with the affordability restrictions contained in the MOHCD regulatory agreements that govern their projects, and they must always consult MOHCD’s web site to determine the specific income limits and maximum rents in effect at any given time. The MOHCD web site is the sole source of information for income limits and maximum rents.

2014 AMI: decreased by -4.05%

For 2014, AMI for the San Francisco HMFA is down by -4.05% from 2013; therefore, maximum rents for MOHCD-financed projects have decreased by -4.05% from the previous year.

For most projects, the impact of the decrease in AMI is twofold:
1. Owners must reduce any rents that are above the 2014 maximums.
2. No rent increases are allowed in 2014 at projects where annual rent increases are limited by the annual percentage change in AMI.

As always, owners should fully review the requirements of all funders to determine the most-restrictive
covenants that apply to Income and Rents. The impacts may be different for households that are “over-income” and households that are supported by a rent or operating subsidy.

Here is the recent history of changes to AMI prior to 2014:

<table>
<thead>
<tr>
<th>Year</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>- 1.75%</td>
</tr>
<tr>
<td>2012</td>
<td>+ 1.38%</td>
</tr>
<tr>
<td>2011</td>
<td>+ 2.21%</td>
</tr>
<tr>
<td>2010</td>
<td>+ 2.69%</td>
</tr>
<tr>
<td>2009</td>
<td>+ 2.65%</td>
</tr>
<tr>
<td>2008</td>
<td>+ 9.02%</td>
</tr>
</tbody>
</table>

Note: Despite the recent improvements in the economy, MOHCD believes that potential for downward pressure remains on AMI for the San Francisco region. Most notably, the 2007-2011 economic crisis may continue to affect the AMI data. In addition, a federal mandate to expand the definition of the San Francisco region (which currently includes San Francisco, Marin and San Mateo Counties) to include Alameda and Contra Costa Counties would very likely reduce AMI for the counties currently in the San Francisco HMFA. It remains to be seen when this transition will be implemented.

Please keep in mind the recent and potentially ongoing volatility in the annual changes to AMI as you implement rents for 2014 and update your projected budgets for the next few years.

Any owner of a project consisting of 100% affordable units that analyzes the impact of implementing the rents and related guidance associated with 2014 AMI and finds that the ongoing financial viability of the project is in serious jeopardy may submit an appeal to MOHCD to adjust the rent limits for that project. Appeals should be sent by email to Mike McLoone (Mike.McLoone@sfgov.org).

It is essential that all staff at your organization that are involved with the development, operations, asset and property management at any level – especially Directors – fully understand the potentially very dramatic implications that can result from using the wrong AMI data as the basis for their work, including but not limited to having to issue refunds to tenants that have been overcharged. MOHCD is willing to host AMI information sessions to help educate your staff if needed. Please contact Mike McLoone by email (Mike.McLoone@sfgov.org) to make arrangements for an information session.

Mike McLoone
Asset Manager
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Attachments:
This letter and the attached tables also available on MOHCD website: