



OFFICE OF THE CITY MANAGER

Administrative Instruction

Section VII

No. 09

Below Market Rate Housing Procedures and Guidelines

Supersedes: Administrative Instruction dated October 22, 2020

Effective Date: September 27, 2024

This Procedures and Guidelines for Below Market Rate (BMR) Housing Regulations manual constitutes the Guidelines ("Guidelines") to the City's Inclusionary Zoning Regulations Ordinance set forth in Chapter 20.380 of the City's Municipal Code ("Ordinance"). The guidelines shall apply to all residential market-rate dwelling units resulting from new construction of for-sale and rental residential developments, existing BMR units, and units constructed to satisfy fee requirements as approved by the City.

The purpose of these Guidelines is to assist in implementing the Ordinance. The Guidelines are intended to:

- Provide common definitions of terms regarding the Below Market Rate program for the City of South San Francisco
- Provide guidelines for the eligibility requirements for buyers
- Outline procedures and requirements for resales and transfers
- Define owner obligation of these units
- Provide guidelines for rental units
- Provide guidelines for applicants and tenants of rental units
- Provide guidelines for the continued monitoring and recertification requirements

The City will review and, to the extent necessary, update these Guidelines annually. The City Manager or Designee may make interim revisions, interpretations, or clarifications to these Guidelines. Any such revision, interpretation, or clarification shall not become effective until posted on the City's website.

A handwritten signature in black ink, reading "Sharon Ranals".

Sharon Ranals
City Manager

Dated: September 27, 2024



CITY OF SOUTH SAN FRANCISCO

PROCEDURES AND GUIDELINES FOR INCLUSIONARY HOUSING UNITS

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1.0 INTRODUCTION

This guide, South San Francisco's Procedures and Guidelines for Inclusionary ("Below Market Rate" or "BMR") Housing ("Guidelines"), outlines the requirements for owners and renters of BMR housing in the City ("BMR Program"). It describes the specific regulatory requirements that apply to eligibility for renting or owning BMR properties and provides guidance through the application process.

The Guidelines implement the City's Inclusionary Housing Regulations Ordinance ("Ordinance") set forth in Chapter 20.380 of the City's Municipal Code. The purpose of the Ordinance is to provide for inclusionary housing units within market rate residential developments, providing housing to a range of income levels. The Guidelines are intended to:

- Provide common definitions of terms
- Describe eligibility requirements for buyers
- Outline procedures and requirements for resales and transfers of BMR ownership units
- Define BMR owner obligations
- Outline procedures and requirements for applicants and tenants of BMR rental units
- Outline procedures and requirements for the continued monitoring and recertification requirements of BMR units.

These Guidelines should be read in conjunction with the Ordinance. While every effort has been made to ensure that these Guidelines are consistent with the Ordinance, if there are any conflicts between these Guidelines and the Ordinance, the terms of the Ordinance shall prevail. In addition, the terms of an Affordable Housing Agreement or Resale Restriction Agreement (or similar agreement) recorded against a BMR unit shall prevail over any general or conflicting requirements of the Ordinance or these Guidelines. Users of these Guidelines are encouraged to seek their own legal counsel to aid in understanding the requirements of the BMR Program. For any general questions regarding these Guidelines, users may call the City's Housing Division at (650) 829-6620.

The City will review and, to the extent necessary, update these Guidelines annually. The City Manager may make interim revisions, interpretations, or clarifications to these Guidelines. Any such revision, interpretation, or clarification shall not become effective until posted on the City's website.

Requests for waivers of a particular process, procedure or requirement by an applicant, owner or renter may be evaluated by City staff on a case-by-case basis and must be authorized by the City Manager unless expressly prohibited or in contradiction to the City Municipal Code or any agreement recorded against a BMR unit.



2.0 DEFINITION OF TERMS

Whenever the following terms are used, they shall have the meaning established by this section:

“Affordable housing” means, housing that is affordable to households with very low, low, or moderate incomes.

“Affordable housing agreement” means a legally binding agreement between an applicant and the City implementing the Ordinance.

“Affordable initial sales price” means a sales price for which allowable housing expenses do not exceed the following:

- For a BMR unit sold to a moderate-income household, allowable housing expenses do not exceed **35%** x 110% of Area Median Income (AMI) for a household size appropriate to the unit.
- For a BMR unit sold to a lower income household, allowable housing expenses do not exceed 30% x 70% of AMI for a household size appropriate to the unit.

“Affordable rent” means allowable housing expenses do not exceed the following:

- For a BMR unit rented to a very low-income household, allowable housing expenses do not exceed 30% x 50% of AMI for a household size appropriate to the unit.
- For a BMR unit rented to a lower income household, allowable housing expenses do not exceed 30% x 60% of AMI for a household size appropriate to the unit.

“Allowable housing expense” means the total monthly or annual recurring expenses required of a household to obtain shelter:

- For a for-sale unit, allowable housing expenses include loan principal and interest at the time of initial purchase by the homebuyer, allowances for property and mortgage insurance, property taxes, homeowner’s association dues and a reasonable allowance for utilities. Reasonable allowance for utilities means the utility allowance published by the Housing Authority of the County of San Mateo from time to time. If the foregoing utility allowance is no longer published, then a reasonable allowance for utilities shall be calculated based upon comparable governmental published figures as determined by regulation of the City of South San Francisco.
- For a rental unit, allowable housing expenses include rent and a reasonable allowance for utilities (please see the definition for “reasonable allowance for utilities”), as well as all monthly payments made by the tenant to the lessor in connection with use and occupancy of a housing unit and land and facilities associated therewith, including any separately charged fees, utility charges, or service charges assessed by the lessor and payable by the tenant.
- Allowable housing expense may be further defined by regulation prepared by the Economic and Community Development Department and adopted by the City Council.



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“Area median income” or **“AMI”** means the annual median income for San Mateo County, adjusted for household size, as published periodically in Section 6932 of Title 25 of the **California Code of Regulations**, as defined by the State of California Housing and Community Development (HCD). HCD derives median income from the US Department of Housing and Urban Development (HUD).

“Deemed complete” means an applicant has submitted their application and all items listed on the Below Market Rate Home Application and Submittal Instructions to the City. Further supporting documentation may be requested after submittal and review.

“Dwelling unit” means building or portion thereof which contains living facilities, including provisions for sleeping, eating, cooking, and sanitation, for not more than one family. (Section 20.630.002 of the Municipal Code).

“Financial assistance” means assistance to include, but not be limited to, the use of funds from the City housing trust fund, the use of low- and moderate-income housing asset funds, Community Development Block Grant (CDBG) funds, HOME funds, or the provision of other direct financial aid in the form of cash transfer payments or other monetary compensation, by the City of South San Francisco.

“First-time homebuyer” means individuals that have not owned a residential property during the three-year period before submitting an application for the BMR program, regardless of whether the individual’s interest in such property results in a financial gain, such property is in another state or country, or the applicant has occupied such property as his or her residence. Exceptions include: (1) an individual who owned a home with a former spouse during their marriage; (2) an individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations; (3) an individual who has owned a property that was not in compliance with state or local building codes and which cannot be brought back into compliance for less than the cost of constructing a permanent structure.

“For-sale unit” means a dwelling unit, including an attached or detached single-family home, condominium, stock cooperative or community apartment, which is offered for sale to individual buyers.

“Full-time employment” means 40 hours per week as defined in California Labor Code Section 515(c).

“Household Income” means current total household income (of all persons within the household 18 years of age or older) which must be at or below the current income limits established annually by HCD.

“Inclusionary housing project” means a new residential development or conversion of existing residential buildings which includes units reserved and made affordable to very low-, low- or moderate-income households as required by the Ordinance.

“Inclusionary unit” means a dwelling unit that will be offered for rent or sale exclusively to and which shall be affordable to very low-, low- or moderate-income households.

“Income” means the anticipated income of a person or family for the twelve-month period following the date of determination of income. If the circumstances are such that it is not reasonably feasible to anticipate a level of income over a twelve-month period, a shorter period may be used subject to a redetermination at the end of



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such a period. This may be further defined by regulations of the Economic and Community Development Department of the City of South San Francisco (Section 6914 of Title 25 of the California Code of Regulations).

“Live or Work Preference” refers to the City’s preference point system during the Lottery selection where an eligible applicant receives a preference point for living or working within South San Francisco. In a calendar week, an applicant must perform at least 20 hours of work for an employer within the City in order to qualify for the work preference.

“Lower-income household” shall have the meaning as defined in California Health and Safety Code Section 50079.5.

“Market-rate unit” means a dwelling unit where the rental rate or sales price is determined by the area’s current rate of monthly rent or sale value.

“Maximum resale price” means the maximum amount a for-sale inclusionary unit may be sold, except for the initial sale of the inclusionary unit, as provided in Chapter 20.380, Section 20.380.006(F) of the Ordinance.

“Moderate-income household” shall have the meaning as defined in California Health and Safety Code Section 50093.

“Reasonable allowance for utilities” means the utility allowance published by the Housing Authority of the County of San Mateo from time to time. If the foregoing utility allowance is no longer published, then a reasonable allowance for utilities shall be calculated based upon comparable governmental published figures as determined by regulation of the City of South San Francisco.

“Rental unit” means an apartment, house, duplex, condominium, or room that a landlord rents to a tenant to live in and is not a for-sale unit.

“Residential development” means any new residential construction of rental or for-sale units; or development revisions, including those with and without a master plan or specific plan, planned unit developments, site development plans, mobile home developments and conversions of apartments to condominiums, as well as dwelling units for which the cost of shelter is included in a recurring payment for expenses, whether an initial lump sum fee is also required.

“Utilities” means garbage collection, sewer, water, electricity, gas and other heating, cooling, cooking, and refrigeration fuels for a dwelling unit. Utilities does not include telephone, cable, or internet service.

“Very low-income household” shall have the meaning as defined in California Health and Safety Code Section 50105. For purposes hereof, very low-income households shall include extremely low-income households, as defined in California Health and Safety Code Section 50106.



HOMEOWNERSHIP





3.0 OWNERSHIP UNITS

3.1 ELIGIBILITY REQUIREMENTS FOR BUYERS

To qualify to purchase a BMR for-sale unit, the applicant must meet the following qualifications. Table 1 provides a summary of the qualifications.

Table 1: In Summary of Buyer Eligibility

Qualification Requirements	Description
Household Income	Current household income must be at or below current limits established by HCD
First-Time Homebuyer	All applicants must be first-time homebuyers as defined in Section 3.1.3 of the Guidelines
Homebuyer Education	All applicants must complete a HUD-approved homebuyer education course and receive a certificate of completion prior to close of escrow
Household Size	Household size must match appropriate housing unit as defined in Section 3.1.5
Down Payment	All applicants must provide a minimum of 3% of the adjusted purchase price in a manner consistent with Section 3.1.6 (C). Gift funds are allowed up to 17% of the sales price. The maximum down payment amount cannot exceed 20% of the sales price.
Preference Points	One (1) preference point is given to buyers who live and/or work in South San Francisco
Credit Score	All applicants have a minimum median FICO credit score of 640 and meet the requirements outlined in Section 3.1.6 (A)
Purchase-Ready	Meets the qualifications previously discussed
Legal Resident	A citizen or other national of the United States or a qualified alien as defined in Section 3.1.8. Federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996
Disclosures and Declarations	All applicants must show up in person to sign the Disclosures and Declarations form

3.1.1 HOUSEHOLD INCOME

Current household income must be at or below the current income limits established annually by HCD. The list below of income inclusions and exclusions is sourced from HCD and is not exhaustive.

A. Income Inclusions and Exclusions



INCOME INCLUSIONS:

- **Wages, Salaries and Tips:** The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services (including freelance, online businesses, side businesses, consulting, and self-employment).
- **Business Income:** The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
- **Interest Income and Dividends:** Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in business income (above).
- **Retirement and Insurance Income:** The full number of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payments (except for certain exclusions, listed in Income Exclusions below).
- **Social Security Income (SSI) and Supplemental SSI:** Deferred periodic amounts from Social Security and SSI benefits that are received in a lump-sum amount or in prospective monthly amounts.
- **Unemployment and Disability Income:** Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, listed in Income Exclusions below).
- **Welfare Assistance:** Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income.
- **Alimony, Child Support, & Gift Income:** Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons residing in the dwelling.
- **Armed Forces Income:** All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in Income Exclusions below).

INCOME EXCLUSIONS:

- **Income of children:** Income from employment of children (including foster children) under the age of 18 years.
- **Foster Care Payments:** Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
- **Inheritance and Insurance Income:** Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusion, listed in Income Inclusions above).



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- **Medical Expense Reimbursements:** Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
- **Income of Live-in Aides:** Income of a live-in aide (as defined in 24 CFR 5.403).
- **Income from a Disabled Member:** Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)).
- **Student Financial Aid:** The full amount of student financial assistance paid directly to the student or to the educational institution.
- **“Hostile Fire” Pay:** The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- **Gifts:** Temporary, nonrecurring, or sporadic income (including gifts).
- **Adoption Assistance Payments:** Adoption assistance payments more than \$480.
- **Home Care Assistance:** Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home.

B. Types of Employment and Income Calculations

Household income may be calculated differently depending on income sources or variability, as described below. In some cases, multiple calculations may be used, particularly for household that have multiple sources of income. Applicants are required to submit copies of all required bank statements, certificates of deposit, stocks, bonds, mutual funds, trusts, brokerage, 401(k), retirement accounts, W-2s, tax statements, IRS disclosure forms, three months of the most recent and consecutive pay stubs, if applicable showing their year-to-date earnings, and documents for any other income sources for each member of their household over 18 years of age.

LESS THAN FULL-TIME INCOME

If all members of the household work less than a full-time equivalent or are unemployed, the household is still required to demonstrate that they have enough combination of income and/or assets to purchase the BMR for-sale unit. Buyers should be able to provide an employment history of at least two years. Full-time student applicants who are unable to demonstrate they have also been employed for two years prior to application are ineligible.

REGULAR, FULL-TIME INCOME

Regular income calculations are summarized in this section. Income will be projected based on income documentation and will vary depending on pay frequency. Table 2 below provides a breakdown of how each pay frequency is calculated.



Table 2. Annual Income Calculations by Pay Frequency

Pay Frequency	Annual Income Calculation
Monthly	Monthly income amount x 12
Twice Monthly	Twice monthly income amount x 24
Every Two Weeks	Bi-weekly income amount x 26
Weekly	Weekly income amount x 52
Hourly	Hourly income x hours worked per week x 52

VARIABLE INCOME

If an applicant has variable income, the average of the most recent twenty-four months of income will be calculated. Gross annual income calculations will be based on the previous two years' net income shown on the Schedule C of their Federal income tax returns, plus appropriate documentation of income for the current year to date. Year-to-date income will be divided by the appropriate number of months (not to exceed 12 months) and multiplied by 12 to arrive at an annual rate of income. Other documentation of income will be considered, including but not limited to, pay stubs, employment contracts, and bank statements. Salary increases and raises are not considered variable income.

SELF-EMPLOYMENT

Self-employed applicant's income is calculated by averaging the prior two years' net income shown on Schedule C of their Federal income tax returns, plus net income before taxes from applicant's signed, year-to-date Profit and Loss Statement prepared by a certified public accountant. Current year income is divided by the appropriate number of months (not to exceed 12 months) and multiplied by 12 to arrive at the annual income. If self-employed in South San Francisco, the business must contain a current business license.

MAXIMUM TOTAL HOUSEHOLD INCOME

To be eligible for to purchase a BMR for-sale unit, the applicant's Total Household Income must not exceed the applicable Maximum Income. Total Household Income means the household's Gross Annual Household Income plus assets calculated. Maximum Income is determined annually by the HCD based on the Area Median Income for San Mateo County.



3.1.2 HOUSEHOLD ASSETS

In some cases, liquid assets will be included in income calculations. A household with assets that exceed \$30,000 will have the following amounts added to their total household income:

- Tier 1: 10% of total assets between \$30,001 and \$130,000 and
- Tier 2: 30% of total assets between \$130,001 and \$250,000

Example:

If a household has \$45,000 in eligible liquid assets, an additional 10% (\$4,500) of assets will be added to the total household income.

$$\$45,000 - \$30,000 = \$15,000$$

$$\$15,000 \times 10\% = \$1,500$$

\$1,500 will be added to total household income

If a household has \$200,000 in eligible liquid assets, an additional 10% (\$13,000) of assets in Tier 1 will be added to the total household income and 30% (\$12,000) of assets in Tier 2.

$$\$200,000 - \$30,000 = \$170,000$$

$$(\text{Tier 1}) \text{ First } \$130,000 \times 10\% = \$13,000$$

$$(\text{Tier 2}) \text{ Remaining } \$40,000 \times 30\% = \$12,000$$

$$\$13,000 + \$12,000 = \$25,000$$

\$25,000 will be added to total household income

The maximum amount of allowable assets is \$250,000.

In determining whether the household's assets are within the asset limits, staff will average each account's balance from the most recent six months of statements for each monetary asset (e.g., bank, credit union, non-retirement investment account statements) to determine the current value of each asset. Non-monetary assets (e.g., stock options [except for certain exclusions, listed in Asset Exclusions below], mobile homes, commercial real estate) will be valued based on a current valuation (not less than 90 days old) to be provided by a qualified third-party appraiser or estimator, which must be included in the applicant's program application. The household's current total combined household assets, both on the application date (most recent monthly statements/valuations in application) and using the average balance over the preceding six months, must be within these asset limits.



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The City reserves the right to request additional documentation, if needed, to accurately assess the value of assets.

A. Asset Inclusions, Exclusions, and Special Considerations

ASSET INCLUSIONS:

- Cash held in savings accounts, checking accounts, safe deposit boxes, homes etc. For savings accounts, the current balance will be the basis for the calculation. For checking accounts, the average 6-month balance will be the basis for the calculation. Assets held in foreign accounts are considered assets.
- Cash value of recoverable trusts available to the applicant.
- Cash value of vested stocks, bonds, Treasury bills, certificates of deposit and money market accounts.
- Cash value of life insurance policies that will be liquidated prior to purchase available to the individual before death (e.g., surrender value of a whole life or universal life policy).
- Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
- Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, and other amounts not intended as periodic payments.
- Mortgages or deeds of trust as related to businesses held by an applicant.
- Boats and places; motor homes intended for primary residential use.
- Equity in residential cooperatives.

ASSET EXCLUSIONS:

- Necessary personal property, except as noted in inclusions (above), such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
- Interest in Indian trust lands.
- Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
- Assets not accessible to and that provide no income for the applicant, e.g. a battered person who owns a house with a spouse, because of the domestic situation, receives no income from the asset and cannot convert the asset to cash.
- Term life insurance policies (i.e., where there is no cash value).
- Assets that are part of an active business including business equipment and vehicles.
- Assets in IRS-recognized retirement accounts (IRAs, 401(k)s, 403(b)s, etc.) and future/potential pension benefits or insurance proceeds held in accounts not currently owned and controlled by the applicant or co-applicant(s). (However, amounts must be listed on application, and documentation provided, as described on the application.)
- 529 plan college savings accounts.
- Unvested stock options or restricted stock funds where applicant has no ownership and no access to those funds
- The funds that will be used toward the down payment on the BMR for-sale unit, with a maximum of up to 20% of the purchase price. If applicant is receiving gift funds towards their down payment, then



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proof of the gift funds deposited into an account in the applicant's name must be provided if that amount is to be deducted from the asset calculation.

SPECIAL CONSIDERATIONS

Exceptions may be evaluated by City staff on a case-by-case basis for extenuating circumstances such as victim restitutions, insurance or other medical settlement.

3.1.3 FIRST-TIME HOMEBUYER (FTHB)

The applicants must be first-time homebuyers. A first-time homebuyer is defined as the following:

"Individuals that have not owned a residential property during the three-year period before applying for participation in the Below Market Rate (BMR) program, regardless of whether the individual's interest in such property results in a financial gain, such property is in another state or country, or the member has occupied such property as his or her residence (California Code Regulation 8201(L))."

At no time will two spouses be allowed to each purchase a BMR for-sale unit, regardless if one spouse has not been on title to any property for during the three-year period before application for participation.

Exceptions include:

- An individual who owned a home with a former spouse during their prior marriage
- An individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations.
- An individual who has owned a property that was not in compliance with state or local building codes and which cannot be brought back into compliance for less than the cost of constructing a permanent structure.

3.1.4 HOMEBUYER EDUCATION WORKSHOP

The applicant must complete an eight-hour, HUD-approved homebuyer education workshop and receive a certificate of completion. The workshop is not required to be completed prior to applying; however, it is required to be completed prior to the close of escrow. The workshop covers such topics as the loan application process, closing costs and escrow fee, recurring housing expenses, refinancing, budgeting, responsibilities of homeownership, home maintenance, and the importance of maintaining good credit.

3.1.5 HOUSEHOLD COMPOSITION, SIZE AND OCCUPANCY



A household is defined as all persons (minor and adults) who occupy the home as their primary residence at least ten months of the calendar year. Household members who are minors and full-time college students who are claimed as a dependent by another household member on the most recent federal income tax return are exempt from the requirement of making the home their primary place of residence at least ten months of the calendar year. A minor is only counted as a household member if an adult member of the household has at least 50 percent legal custody of that minor. Pregnant applicants are counted as two members of a household upon submittal of medical documentation.

The following types of persons are not counted as household members for the purposes of qualifying for the program and calculating income: foster children, children being pursued for legal custody or adoption who are not currently living in the household, and live-in aides.

All household members must be co-habitants for at least six months prior to close of escrow. Exceptions include spouse, registered domestic partner, minor where a household member has at least 50 percent legal custody, and engaged couples. The City reserves the right to request valid third-party documentation, as needed, to document co-habitation or relationship status of household members.

Once the BMR home is purchased, all members of the household must occupy the BMR home as their primary residence, as defined by FHA guidelines, by living in the home a minimum of ten months out of the year and must occupy the home within 60 days of the completion of the purchase.

The size of the household is determined by the number of people living in a household at the time of the application. To qualify for a BMR unit, the size of a household must be compatible with the size of the unit being purchased. The household size for each BMR unit may not be less than one person per bedroom. Table 4 contains the household size appropriate for the BMR unit.

Table 3: Occupancy Limits by Housing Type

Home Type	Minimum Occupancy
Studio	1 person
1 Bedroom	1 person
2 Bedroom	2 persons
3 Bedroom	3 persons
4 Bedroom	4 persons

3.1.6 FINANCING REQUIREMENTS FOR BUYER(S)

A. Credit Score



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All adult applicants must be able to demonstrate sufficient creditworthiness. This includes:

- No bankruptcies, foreclosures, or public records shown on credits reports in the past three years
- A minimum FICO credit rating of 640 from Equifax, Experian, and Transunion

B. Front and Back Ratios (Debt-to-Income Ratios)

The debt-to-income ratio is a percentage that shows how much of a person's income is used to cover their recurring debts. The front end is the ratio of income to housing related debts only and cannot exceed 42.5%. The back end is a ratio of income to all recurring debts and cannot exceed 45%.

C. Down Payment

The buyer is required to make a minimum down payment of at least 3% of the sales price using buyers own funds (seller is prohibited from contributing gifts as part of the down payment), with a maximum down payment of 20% of the sales price. Down payment funds must meet the following criteria:

- must come from acceptable, verifiable sources that are properly documented per Federal Housing Administration Guidelines;
- must be deposited with the applicant's financial institution account for a minimum of 3 months prior to date of application;
- must be placed into escrow prior to the close of escrow;
- used for the 3% down payment may not be used toward closing costs. The applicant is still responsible for paying any applicable closing costs.

D. Gift Funds

Gifts refer to the contribution of cash and equity with no expectation of repayment. One-time gift funds may be used towards the down payment or closing costs provided that the buyer still supplies a minimum of 3% of the purchase price towards the down payment from a non-gift personal source. The gift funds cannot exceed 17% of the total purchase price. Reoccurring gifts or larger gifts will be considered as assets and included in the applicant's income calculation. All gifts must be clearly identified in a gift letter stating the nature of the relationship to the giver and receiver of the gift and that there is no expectation of repayment, which must be submitted with the application.

E. Senior Financing

Applicant must buy the home using a first mortgage loan provided by a conventional residential lender (including credit unions) with standard underwriting and loan servicing capabilities. Private-party, family member, or seller/agent loans, gifts, etc. may not be used in full or part as a substitute for a first mortgage loan.



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All adult members of the household must appear on the loan. The City may grant an exception at its discretion. Some reasons to allow an exception might include:

- A disabled person or elderly adult who is not capable of managing bills. Another member of the household must have power of attorney for this individual.
- Legal dependents of titleholders as claimed on the most recent Federal income tax return. Spouses or domestic partners are not considered dependents.
- Household members younger than the age of 24 who are the natural or adopted child of a titleholder, who will reside in the BMR home as their primary residence, regardless of being named as a dependent on the federal tax form of the titleholder.

The first mortgage used by the applicants must be for a 30-year term. Loans must also be fixed-rate and fully amortizing, and must include an impound account for property taxes and homeowner's insurance. Balloon payments, negative amortization, adjustable and/or non-prime interest rate loans, prepayment penalties, and stated-income loans are prohibited. Obtaining a co-signature for a first mortgage is prohibited.

F. Home Equity Lines of Credit and Home Equity Loans

The BMR owner must not incur any additional liens incurred through taxes, alimony, child support, etc. that are placed on the BMR for-sale unit. A BMR for-sale unit owner is also prohibited from obtaining home equity lines of credit and home equity loans.

G. Loan-to-Value Limits

Housing mortgage assistance loans must not have a loan to value ratio that exceeds 97% of the sales price of the BMR for-sale unit.

3.1.7 PURCHASE-READY

Purchase-ready means the applicant: 1) can qualify for adequate financing to purchase a BMR for-sale unit ; 2) has available funds to provide the minimum down payment, closing costs and a minimum of two months of housing expenses); and 3) in receipt of a homebuyer education certificate of completion prior to close of escrow. Applicants who have recently filed for bankruptcy or been subject to a foreclosure proceeding, who possess credit scores below 640, or do not have sufficient available down payment funds, do not qualify as purchase-ready.

All adult members of the household must be available to sign title documents and Disclosures and Declarations forms in person.

3.1.8 DISCLOSURE AND DECLARATION FORMS



Under penalty of perjury, all applicant(s) must submit signed Disclosures and Declarations forms. Blank forms are provided with the application packet. In completing these forms, the applicant(s) must:

- Identify the household size at the time of the application.
- Agree to follow the owner-occupancy requirements, including compliance with periodic monitoring.
- Indicate their understanding that BMR for-sale units are not allowed to accrue in value in the way that homes in the unrestricted market can.
- Indicate their understanding of the requirements for obtaining City approval of a refinanced primary mortgage.

3.2 PROCEDURES AND REQUIREMENTS FOR
RESALES AND TRANSFERS

BMR for-sale unit homeowners (owners) must comply with the following procedures when reselling a BMR for-sale unit (see Table 4 for overview of process) to ensure the unit remains affordable. The City reserves the right of first refusal to purchase the unit offered for sale as indicated in the Ordinance.

If any portion of the BMR for-sale unit is rented, sold, or otherwise transferred in full or part without prior City approval, the City may use any and all available legal remedies enforce the BMR Program requirements.

3.2.1 BMR RESALE PROCESS

Notice of Intent to Transfer Title (NOIT)

The first step in the process is for the BMR for-sale unit owners to notify the City of their intent to sell the property on City form. At the time the NOIT form is submitted to the City, the owners must also submit any approval letters from the City regarding capital improvements made to the BMR for-sale unit during their ownership.

City Inspection

Once the City receives the completed NOIT form from the owner(s) and all other required documentation, it will inspect the home to determine the condition and how that may affect its resale price per

Table 4: Resale Process Overview





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Section 3.2.3. Any needed repairs discovered during the City's inspection must be corrected by the owner(s) prior to close of escrow and the City will conduct a follow-up inspection to verify.

City's Response

The City will review the inspection report and, within 90 days of receipt of the NOIT, will send the owner a Consent to Transfer letter (**Note: No owner should engage a real estate agent until they receive Consent to Transfer letter from the City**). The letter will contain a determination regarding whether or not the City intends to exercise its right to purchase the BMR for-sale unit and lay out the next steps in the resale process.

Owner Acknowledgement and Intent to Transfer Form

Within 30 days of receipt of the Consent to Transfer letter from the City, if the owner still intends to sell the BMR for-sale unit, they must submit to the City an Acknowledgement and Intent to Transfer letter which states that the owner is aware and has agree to abide by the resale restrictions and still intends to transfer the home.

Secure a Licensed Real Estate Agent

The Owners must engage a California licensed real estate agent (Listing Agent) through a listing agreement to market the BMR for-sale unit for sale (Listing Agreement). The owner must disclose the resale restrictions and that the City will play a role in the sale of home to the Listing Agent.

Listing Agreement

The Owner must submit a copy of the Listing Agreement to the City for its review and approval.

Listing Agent Meets with City Staff

The Owners and the Listing Agent must schedule a meeting with City Staff (conference call or in person) to discuss the details of the resale restrictions and process for marketing and transferring the BMR for-sale unit.

Marketing Plan

The owner and the Listing Agent must create a marketing plan appropriate to the solicit offers by income-qualified households in accordance with Section 3.2.5. The sale transaction should be an "arm's length transaction" meaning that the public has an equal opportunity to view the BMR for-sale unit and submit an offer, and the selected offer shall not be based on a preexisting relationship with the owner and/or Listing Agent. The City may require the owner to obtain a new listing agent if the City becomes aware that the Listing Agent is grossly negligent or incompetent in conducting the required tasks associated with resale of the BMR for-sale unit. Refer to Sections 3.2.4 and 3.2.5 for additional information.

Buyer Submits Application



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Potential buyers will be required to go through the process as outlined in Section 3.1 which shall include submission of a City pre-qualifying application to the Listing Agent. The Listing Agent will be responsible for delivering the applications to the City. The Listing Agent will be liable for any consequences that are the result of non-delivery of applications to the City by the bid opening date.

Buyer Eligibility Review

The City will review all buyer pre-qualifying applications submitted to it to confirm the proposed buyers pre-qualify for eligibility to purchase the BMR for-sale unit. The City reserves the right to request additional documentation to confirm eligibility.

Lottery Selection

Pre-qualified buyers do not have to live and/or work in the City. However, given a situation where demand exceeds supply of BMR units, pre-qualified buyers who live and/or work in the City at time of application will be provided a preference to purchase the unit in the Lottery. Documentation of meeting the live/work preference will be verified using primary source documents requested by the City. As defined in Section 2.0, an applicant must perform at least 20 hours of work in a calendar week for an employer within the City in order to qualify for work preference.

Table 5: Preference Point System

Category	Points
Currently Live or Work in South San Francisco	1 point
All Others	0 points

Pre-qualified buyers will be assigned a lottery number and notified of their lottery number prior to the lottery being held.

Once the lottery has been held, the City will reach out to the first pre-qualified buyer selected via the lottery to obtain an application and supporting documentation to determine if the household qualifies as an income-eligible purchaser. If the first pre-qualified buyer does not qualify as an income-eligible purchaser, then the City will continue to reach out to the next pre-qualified buyer selected via the lottery until an income-eligible purchaser has been qualified. The City will then issue a conditional Approval Letter to the qualified income-eligible purchaser.

Buyer Purchase Contract and Earnest Money Deposit

The qualified income-eligible purchaser will enter into a purchase agreement with the owner and open escrow. The Listing Agent shall provide a copy of the purchase agreement and the title company information to the City for review, along with proof of the qualified income-eligible purchaser’s earnest money deposit.



Seller Documentation

Prior to the City submitting its documents to escrow, the Listing Agent will provide the City with a copy of the appraisal report, pest inspection report, pest clearance report (if applicable), home inspection report (if the qualified income-eligible purchaser elects to have a home inspection), and proof of City inspection required corrections (if applicable). The Listing Agent must also provide a copy of any Homeowner’s Association documentation to the qualified income-eligible purchaser.

Close of Escrow

Once the qualified income-eligible purchaser has been approved, City staff will provide the documents required by the title company for the qualified income-eligible purchaser to sign with the understanding the City requires a minimum 5 business days to counter-sign. The title company will make arrangements with the City to collect the counter-signed documents and proceed with recordation. An electronic copy of the fully signed documents must be submitted to the City prior to recordation. The City charges a fee which is paid to the City at the close of escrow. The fee can change without any further notice. This fee can be paid by either the buyer or the seller (or combination of both).

3.2.2 MAXIMUM RESALE PRICE CALCULATION

The City will provide the Maximum Resale Price for the BMR for-sale unit. The Maximum Resale Price is the base resale price (the price at which the owner purchased the BMR for-sale unit adjusted to reflect improvements or necessary repairs as discussed below), adjusted by the percentage increase or decrease in the area median income at 100 percent for a family of four in San Mateo County as established by HCD. HCD derives median income from HUD.

This Maximum Resale Price shall include adjustments by the market value of any documented, permanent capital real estate or fixed improvements to the BMR for-sale unit approved by the City up to the maximum amount and subject to the requirements set forth in Section 3.2.7. As a condition of obtaining City approval of such an adjustment, the owner shall present to the City written documentation of all expenditures made by owner for which an adjustment is sought. The Maximum Resale Price shall also include adjustments by the cost of 1) any necessary repairs to damage ; 2) any costs to bring the unit into a sellable condition, including items such as paint, cleaning, construction repairs; and 3) any costs to bring the unit into conformity with all applicable provisions of the Municipal Code and Affordable Housing Guidelines established by the City. The value of these price adjustments will be reasonably determined by the City. The resulting price shall be the base resale price of the BMR for-sale unit. The below table offers an example of a price calculation with capital improvements and repair deductions.

Table 6: Example of Maximum Resale Price Calculation

Original Base Price: \$200,000
Approved increase for bathroom remodel = \$15,000



Adjust to recover the cost of damaged roof = \$25,000
Median Income percentage adjustment 10% = \$19,000
New Maximum Price for Resale (\$200,000 + \$19,000 + \$15,000 -\$25,000) = \$209,000

3.2.3 INSPECTIONS

The City will inspect the BMR for-sale unit to confirm it is in good repair, free of code violations, and clean. The owner is obligated to put the home into a “sellable condition” and responsible for all repairs identified in the City’s inspection report. All appliances, finishes, and fixtures must be fully operable and free of defects or any damage. No BMR for-sale units may be sold as-is. All original features of the home should be retained. In replacing any items, similar or better quality should be selected. All original components (and any replacement items) must be included in a subsequent resale. Any work that was permitted becomes a permanent part of the BMR for-sale unit.

The owner is responsible for obtaining and submitting a pest inspection report. If the pest inspection report has findings, then a pest clearance report must clear the BMR for-sale unit of all Section 1 Issues prior to close of escrow.

3.2.4 LISTING AGREEMENTS AND PURCHASE CONTRACTS

The following requirements apply to listing agreements and purchase contracts:

- The name of the Multiple Listing Service (MLS) on the listing agreement.
- The home is listed as affordable on the listing agreement
- There is language that forbids “as is” sales.
- Buyers and sellers must use a California licensed real estate agent.
- The buyer and seller must have two different agents, although two different agents from the same brokerage are permitted.
- The seller’s agent and the buyer’s agent shall each be paid a commission in the amount of no more than 3% of the sale price.
- All appliances included with the original sale must be included in the resale. Upgrading appliances is permitted with City approval.
- The distribution of closing costs is indicated below:
 - Seller pays real estate agent commissions, hazard report, County transfer tax, HOA document preparation fee (if applicable), City’s seller processing fee, and additional inspection fee (if applicable).
 - Buyer pays for escrow fee, owner’s title policy, HOA transfer fee (if applicable), and City’s buyer processing fee.
- Transfers of BMR for-sale units are exempt from City transfer tax



3.2.5 MARKETING

The Listing Agent is required to make a good faith effort to market and sell the BMR for-sale unit. A good faith effort includes the following minimum:

- Include the following information in advertisements for the home on MLS and other internet real estate listings:
 - Notice that the home is a BMR for-sale unit
 - The maximum income limits for the buyer
 - The Maximum Resale Price
 - The date that a lottery will be held
- The owner and Listing Agent must make the home available to prospective buyers through open houses and individual showings. A minimum of two open houses, held at least one week apart is required. The City has the option to require additional open houses or showings.
- Direct interested buyers and their selling agents to the BMR Program Guidelines on City website
- The Listing Agent must keep the following records to be provided at the City's request:
 - A copy of the open house advertisement.
 - A screen shot or PDF of the MLS listing

3.2.6 APPLICATIONS

City staff will review the application for completeness and eligibility of the prospective buyer. The City reserves the right to request additional documentation, if needed, to make an eligibility determination. Applications will not be considered complete until all documentation has been submitted to the satisfaction of City staff. Once the application is deemed complete the City will schedule a meeting with the buyer to go over the BMR program and outline the next steps in the process.

3.2.7 CAPITAL IMPROVEMENT CREDITS (CIC)

The City limits the amount of capital improvements it adds to the resale price that would make it unaffordable for the next buyer. Not all improvements will be incorporated into the resale price. Owners may recover up to 10% of their resale price in approved capital improvements.

A. Eligibility Requirements

Any improvements must be consistent with applicable zoning and building codes and where applicable be accompanied by building permits and inspection certificates. Improvements must be made at least 10 years after the initial sale of the BMR home. Eligible improvements include:

- Major Electrical Wiring System Upgrade



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- Room Additions
- Alarm Systems
- Smoke Detectors
- Major Plumbing System Upgrades
- Installation of closets or walls
- Removal of toxic substances such as asbestos, lead or mold/mildew
- Upgrade to double paned windows
- Insulation upgrade
- Upgrade to energy star built-in appliances such as furnace, water heater, stove/range, dishwasher and microwave hood
- Installation of solar panels on roof

Cosmetic enhancements with a limited useful life, nonpermanent fixtures and improvements that are for personal needs are not eligible for CIC. The owner may undertake these projects for their own convenience, but it will not affect the resale price.

B. Submittal Requirements and Process

In order to obtain CIC, the owner must submit a request to record improvements along with the invoices for construction and applicable permits to the City. If work was performed by a contractor, then the owner must provide the contractor's license number and City work permit (if applicable). If work was self-performed, then the owner must submit copy of the materials receipts as well as a document that totals the receipts along with all applicable City work permits to the City. The Owner should also supply the before and after photos. City staff will review the expenses to determine if the improvements are eligible for CIC. City staff may arrange for an inspection to substantiate improvements. City staff will provide written documentation of the resale credit for cost reimbursement at resale.

3.2.8 SHORT SALE

The City may consent to a short sale request, provided that the short sale does not exceed the Maximum Resale Price and the income-eligible purchaser will be required to record a deed of trust and security agreement on the property securing the resale restriction agreement as a condition of the close of escrow to purchase the BMR for-sale unit.

3.2.9 TITLE TRANSFER

Owners who wish to make changes to the title must first make the request and receive approval from the City in writing. This includes the following changes (the types of changes described below does not reset the 55-year affordability restriction (inheritance does reset), unless otherwise stated in the Resale Restriction Agreement):

- **Placing the home in a trust:** City staff reserves the right to revise and request revisions to the provisions of any trust agreement.
- **Death of an owner:** The City must be notified within 30 days.



- **Divorce, dissolution of domestic partnership, or ending of relationship:** The Owners must notify the City if any household member makes another home their primary residence. The City will inform the owners of their options at that point. If court proceedings are imminent or ongoing, the City reserves the right to delay action regarding the transferring of title documents until such matters are resolved.
- **Adding an owner to title:** if a BMR owner marries or enters into a domestic partnership after purchasing the home, the spouse or domestic partner may become a co-Owner. An owner intending to add a spouse or domestic partner must submit their marriage certificate or domestic partner registration to the City for review. Adding a person as owner to the title, other than a new spouse or domestic partner, is prohibited unless permission is granted in writing by the City.

A. Transfer by Inheritance

Upon an owner's death, the BMR for-sale unit may be transferred to any co-owner previously approved by the City without further approval, but such co-owner shall notify the City within thirty (30) days of the transfer and the City may require such co-owner to execute an addendum to City documents related to the BMR for-sale unit by which the co-owner shall assume the same rights and responsibilities with respect to those documents as the Owner.

Upon the death of a BMR owner and all City-approved co-owners, if the owner's child is not the entitled beneficiary of the BMR for-sale unit, or if the City determines that the proposed child transferee is not an income-eligible household, then the BMR for-sale unit shall be transferred pursuant to the requirements set forth in Section 3.2, and the beneficiary shall only be entitled to receive the BMR owner's proceeds from said transfer.

In the case of an heir who is a current household member at the time of the death of a titleholder, that heir shall be allowed one (1) year to live in the BMR for-sale unit before either qualifying to inherit it as an qualified income-eligible purchaser household or resell the it under the procedures outlined in Section 3.2.

3.2.10 TITLE DOCUMENTS

All adult members of the household must appear as owner on these title documents. The City may grant exemptions at its discretion, if warranted. Examples of reasons for an exception might be:

- A disabled person or elderly adult who is not capable of making major decisions for themselves. Another member of the household must have power of attorney for this individual.
- Legal dependents of titleholders as claimed on the most recent federal income tax return. Spouses or domestic partners are not considered dependents.
- Household members younger than the age of 24 who are the natural or adopted child of a titleholder, who will reside in the BMR home as their primary residence, regardless of being named as a dependent on the federal tax form of the titleholder.

During the close of escrow, the qualified income-eligible purchaser will sign and have recorded by the title company a Resale Restriction Agreement, Deed of Trust, the Request for Notice of Default and Notice of



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Affordability Restrictions. The qualified income-eligible purchaser will also sign a Promissory Note, which does not get recorded. The qualified income-eligible purchaser will be provided with templates of these documents in advance of the close of escrow so that they have time to review and ask questions. The documents are summarized below.

- **Resale Restriction Agreement:** A Resale Restriction Agreement effectuating the BMR Program requirements will be recorded on the property as a condition of the close of escrow. Each time the property is resold, the term of the affordability restrictions is reset to another 55 years, unless stated otherwise in an applicable Resale Restriction Agreement. Examples of requirements included in the Resale Restriction Agreement follow:
 - The owner must make the home their primary place of residence for a minimum of 10 months of the year and respond to requests for verification of owner occupancy from the City.
 - The home cannot be rented or leased, in whole or in part (i.e. a room), unless authorized by the Resale Restriction Agreement and approved by the City.
 - The home must be maintained and insured
 - Transferring ownership of the home, including by inheritance, is restricted.
 - When reselling the home, owners must follow the City's prescribed process, including but not limited to:
 - The home will be sold for no more than the Maximum Resale Price, as determined by the City.
 - The home must be sold to an income-eligible household, whose income eligibility will be determined by the City after the parties enter into a purchase agreement contract.
- **Deed of Trust and Security Agreement:** The buyer is required to record a Deed of Trust and Notice of Affordability Restrictions on the property to secure compliance with the terms of in the Resale Restriction Agreement and Promissory Note.
- **Notice of Default:** The buyer will be required to record a Request for Notice of Default.
- **Promissory Note:** As described in the Resale Restriction Agreement, owners must only resell the home at a restricted price and they may not collect any rent, unless authorized by the Resale Restriction Agreement and approved by the City. In part, the promissory note requires the owner to pay the City:
 - Any excess sale proceeds, in the event the home is sold improperly.
 - Any unauthorized rental proceeds, in the event an owner received rent.

3.3 OWNER OBLIGATION

3.3.1 RESPONSE TO CITY'S MONITORING LETTER

The City will annually mail owners a letter requesting documentation to show compliance with the requirements of the BMR Program. The letter from the City will include a list of the types of documentation required at that time, which will include a self-certification of occupancy, a copy of the most recent utility bill, and a copy of the current homeowner's insurance that shows the City has been listed as an additional insured. The City, in its discretion, may request several types of documentation. The annual certification shall be submitted to the Department of Economic and Community Development.



If the Owner or successor(s) fails to perform an annual certification within 90 days of receiving their annual letter, they may be fined \$1,000. The City shall continue to fine the owner or successor(s) an additional \$1,000 for every 30-day period that passes without resolution or response to the City's requests. If unpaid by the owner, the City shall take steps to assess these fines as a special assessment against BMR for-sale unit.

If an owner sells a BMR for-sale unit during the 55-year affordability term at a price higher than the Maximum Resale Price, the City will be entitled to receive from the difference between the Maximum Resale Price and the actual sales price of the BMR for-sale unit. Any funds recaptured by the City shall be placed in the Housing Trust Fund as set forth in Section 20.380.012 of the Ordinance.

The City may institute any appropriate legal actions or proceedings necessary to ensure compliance with this annual certification of compliance as required by the BMR Program. In the event the City must institute legal action to enforce the provisions of the Ordinance, the City shall be entitled to recover its administrative costs, including reasonable attorneys' fees, in addition to any other remedy provided by the court.

3.3.2 OWNER OCCUPANCY

The owner must use the BMR for-sale unit as their primary place of residence and may not be used as an investment or rental property. The household members must move into the home within 60 days of escrow closing and it must be owner-occupied for at least ten months of the calendar year. The City reserves the right to contact Homeowner Associations (HOAs) to discuss the owner-occupancy status of Program participants. The City reserves the right to monitor and inspect the BMR for-sale unit for evidence of owner occupancy and require documentation as deemed necessary by the City.

3.3.3 INSURANCE

The owner must obtain and maintain a standard homeowner's insurance policy, with the City named as an additional insured for the BMR for-sale unit. The owner must ensure that the City receives a copy of evidence of insurance on at least an annual basis.

3.3.4 HOMEOWNER'S EXEMPTION

The owner must continuously claim a homeowner's exemption for property taxes for the BMR for-sale unit.

3.3.5 MAINTENANCE OF HOME

The owner is required to maintain the BMR for-sale unit throughout the ownership period. All appliances shall be in good and working order, the BMR for-sale unit must be sanitary and free of code violations, as well as in compliance with all the health and safety laws of the City. Ordinary wear and tear are not excepted. If an owner experiences any hardships in adhering to maintenance responsibilities associated with the BMR for-sale unit, they should contact Department of Economic and Community Development as soon as possible. Staff may be able to connect owners with resources.



3.3.6 REFINANCING AND ADDITIONAL LIENS

Owners may refinance their first mortgage loans only with the express prior written permission of the City and under the following conditions:

- The principal amount for the new first mortgage is for an amount equal to, or less than, the current Maximum Resale Price to be determined by the City.
- The interest rate for the new first mortgage is less than the interest rate on the original first mortgage.
- The owner's debt-to-income ratios meet the established Front-End and Back-End Debt-to-Income Ratios set forth in Section 3.1.6(B)
- If a lender requires a Subordination Agreement, contact the Department of Economic and Community Development for the Subordination Agreement application. The City charges a processing fee for providing Subordination Agreements. The fee can change without any further notice.

With City prior written approval, owners facing special assessments for HOA costs in excess of funds can refinance their mortgages to an amount higher than the original loan balance, but not more than the current Maximum Resale Price. The City has the discretion to deny the request based on a review of the owner's debt-to-income ratios and other relevant factors.

The owner must not incur any additional liens incurred through taxes, alimony, or child support (and others) that are placed on the BMR for-sale unit.



RENTERS





4.0 RENTAL UNITS

4.1 INITIAL RENTAL PROCEDURES

Applicants for and owners of new BMR rental units must follow the procedures outlined in Table 7.

Submit Marketing Plan

Owners are required to submit to the City a marketing plan which outlines the steps they plan to make and procedures for qualifying potential renters based on the preference point system.

Market the availability of BMR Units

New BMR rental units shall be marketed for a minimum of 21 calendar days. The units shall be advertised in the San Mateo County Affordable Rental Housing List, local newspapers, and online sources. In the advertisements they must state that the units are affordable and subject to income limits. It must also state there is a deadline and that the applications will be considered on a specific date.

Collect and Screen Applications

All applications submitted by the deadline are to be reviewed for BMR rental unit eligibility and ordered by preference points and placed into a lottery by the owner. The applications with the highest points are to receive highest preference in the assignment of rental units.

Offer BMR Rental Units to Qualified households

Owners and/or their agents (collectively “owner”) must contact applicants in lottery rank order to offer them a chance to submit a complete application to rent the BMR rental unit. Applicants should note that the request to provide a complete application does not always result in a lease offer, since higher-ranked applicants may sign leases for all available BMR rental units.

Execute Rental Agreements

Those applicants who submit a complete application and qualify for a BMR rental unit must sign a rental agreement. The rental agreement must state that the BMR rental unit is affordable and subject to rental restrictions including an annual recertification process.

Table 7: BMR Rental Procedure for New Units





Establish and maintain a waiting list for BMR Rental Units

The owner shall place those applicants who qualified but did not receive an available unit on a waiting list by preference points and lottery rank. Owners may update the waitlist annually to confirm eligibility and interest.

Recertify household incomes annually and report to the City

The owner shall annually certify tenant's income eligibility for occupancy of BMR rental units and the annual certification shall be submitted to the City. If the owner fails to perform an annual certification, they shall be fined \$1,000 for each BMR unit whose tenants were not subject to annual certification pursuant to the Section 20.380.018 of the Ordinance.

4.2 PROCEDURES FOR RENTAL OF EXISTING UNITS

When an existing BMR rental unit becomes available for rent, the owner shall cause it to be listed on San Mateo County Affordable Rental Housing List, local newspapers, and online sources for a minimum of 7 calendar days. The owner should select first from any existing waiting list of qualified applicants when making offers. If no one on the waiting list qualifies or is interested in the unit, then the owner must use the established marketing plan to solicit qualified applicants.

4.3 REASONABLE ACCOMMODATIONS

All BMR rental units must at a minimum meet the applicable South San Francisco Municipal Code and Affordable Housing Guidelines. Some, of the minimum standards include:

- The total square footage may not be less than the total square footage of the market-rate units in the project.
- No bedroom may be smaller than 70 square feet
- The kitchen must contain a full-sized oven, sink with electric disposal, dishwasher refrigerator/freezer, and cabinets and countertops
- At least one bathroom must have a sink, toilet and shower stall and standard sized tub or combination tub-shower unit.
- At least one coat closet must be at least 4' x 2 'and the master bedroom must have a minimum closet size of 16 square feet with a minimum depth of 2 feet.
- Either common laundry rooms must be available on every floor of the project or a comparable laundry room to the market rate units must be available.



4.4 GUIDELINES FOR APPLICANTS AND TENANTS

4.4.1 OVERVIEW FOR APPLICANTS AND TENANTS

BMR rental units must be occupied by households that are eligible as low-income households and must meet the income requirements (shown below) to qualify for affordable housing.

Rent Calculations

HCD sets the maximum affordable rent for the County of San Mateo based on household size. If an owner rents a BMR rental unit during the 55- year affordability term at a rent higher than the affordable rent in violation of the Ordinance, the City will be entitled to receive from the owner the difference between the affordable rent and the actual rental amount of the BMR rental unit. Any funds recaptured by the City shall be placed in the Housing Trust Fund.

- For a BMR unit rented to a very low-income household, allowable housing expenses cannot exceed 30% x 50% of AMI for a household size appropriate to the unit.
- For a BMR unit rented to a lower income household, allowable housing expenses cannot exceed 30% x 60% of AMI for a household size appropriate to the unit.

BMR rental units which are rental units shall be made available and rented to income eligible households at an affordable rent for 55 years from the date of a final certificate of occupancy for the project. Notwithstanding anything to the contrary in the Ordinance, no BMR rental unit shall be rented for an amount which exceeds 90 percent of the actual rent charged for a comparable market-rate unit in the same residential development, if any.

4.4.2 HOUSEHOLD INCOME

Income guidelines for income limits for renters are set by HCD for the County of San Mateo. Income limits are updated annually.

4.4.3 MAXIMUM HOUSEHOLD INCOME CALCULATIONS

Gross Household Income means all income from all adult household members (18 years of age and older) derived from all sources as established in the Internal Revenue Code (Title 26, Subtitle A, Chapter 1, Subchapter B, Part I, Section 61), whether or not such income is exempt from federal income tax.

Exceptions

- Gross Household Income does not include income earned by a household member who is between the ages of 18 and 26 and meets both of the following criteria:
 - Is claimed as a dependent of a household member on their federal income taxes; and
 - Is a full-time student (12+ units; school transcript must be provided).



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- Gross Household Income does not include payments to a household member from a governmental source if both of the following requirements are satisfied:
 - The payments do not represent compensation for services rendered; and
 - The payments are part of a governmental need-based subsidy program including, but not limited to, housing choice vouchers or Section 8 federal housing assistance payments; Cal Fresh benefits; or Women, Infants, and Children (WIC) assistance.

For purposes of determining Gross Household Income, each person 18 years of age or older must present all the following (and all documentation must be kept in tenant files for a period of not less than 3 years):

- A complete set of Federal and State income tax returns for the past 2 years. In the case where taxes have not been filed for either of the past 2 years, a letter of verification of non-filing from the Internal Revenue Service is required.
- Most current SSI statement of benefits, if applicable.
- Two months of the most recent and consecutive pay stubs, if applicable.
- Three most recent and consecutive statements for all financial accounts, including, but not limited to, savings accounts, checking accounts, retirement accounts, 401(k) accounts, stock accounts, and other accounts held in the applicant(s) name(s), whether held individually or together.

If a household member is self-employed, in addition to the information above, that household member must submit profit and loss statements for the past 3 years (if applicable) and a current profit and loss statement for the year. The self-employed household member must identify which banking accounts are used for business and personal. The City reserves the right to request additional information needed to verify self-employment income.

4.4.4 PREFERENCE FOR QUALIFIED HOUSEHOLDS

Applicants for BMR rental units will be screened by the owner for initial eligibility based on the requirements set forth in Section 3, which includes household qualification information for both ownership and BMR rental units. If there are more qualified applicants than units available, qualified Income-eligible households will be ranked based on the number of Preference Points they receive. The City and the owner will apply the Preference Point system in the initial leasing of BMR rental units.

Some developments may seek to serve the specific housing needs of one or more segments of the population, such as seniors, disabled persons, or veterans. Some such developments may utilize a preference system that varies from the system described herein to prioritize specific target households. Alternative preference systems must be approved by the City Manager and described in detail in the approved Affordable Housing Agreement and the Marketing and Management Plan.

4.4.5 APPLICATION PROCESS



The owner is responsible for occupant selection and documentation of household eligibility for occupancy of BMR rental units. The owner shall be responsible for training leasing staff, if any, to understand and explain the application process to applicants for BMR rental units.

4.4.6 RECERTIFICATION PROCESS

The owner shall be responsible for all management functions with respect to the rental property, including without limitation the selection of tenants, certification and recertification of household income and eligibility, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Except, as City may otherwise agree in writing, City shall have no responsibility for management or maintenance of the project in which BMR rental units are located. The contracting of management services to a management entity shall not relieve the owner of its primary responsibility for proper performance of management duties.

The owner shall annually certify tenants as to the income eligibility for occupancy of BMR rental units and the annual certification shall be submitted to the Department of Economic and Community Development.

4.4.7 ANNUAL COMPLIANCE MONITORING

The City will perform an annual compliance monitoring for BMR rental units which will include review of the prior year's tenant income recertifications and unit inspections. The City will contact the owner or property manager to obtain a monitoring report, provide a list of tenant files for review, and then schedule for the unit inspections. The City, in its discretion, may request additional documentation to confirm compliance. The City will review all documentation for compliance and provide the owner with any findings. Owners will be required to provide a response to the City addressing all findings and take steps to correct any findings of noncompliance within 30 days of receipt.