

**THIS PRINT COVERS CALENDAR ITEM NO. 10.4**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Authorizing the Director of Transportation to execute a Memorandum of Understanding (MOU) between the City and County of San Francisco Municipal Transportation Agency (SFMTA) and the City and County of San Francisco Mayor's Office of Housing (MOH) to implement the permanent replacement housing component of the City approved Central Subway Project Relocation Impact Study and Last Resort Housing Plan (Relocation Plan).

**SUMMARY:**

- On January 10, 2012, the SFMTA acquired the property commonly known as 933-949 Stockton Street and APN Parcel 0211, Block 011 (Chinatown Property) for the future Central Subway Project Chinatown Station (Project), and SFMTA relocated all Chinatown Property tenants pursuant to the federal Uniform Relocation Act.
- The Relocation Plan described SFMTA's plan to replace the 18 Chinatown Property residential units that will be demolished for the Project and provide a permanent replacement housing option for the income-qualified Chinatown Property residential households (Displaced Households) that wish to move to a future affordable housing project (Housing Project) at property under MOH's jurisdiction at the corner of Broadway and Sansome Street.
- Chinatown Community Development Center (CCDC) will construct and operate the Housing Project under a ground lease with MOH.
- Under the proposed MOU, SFMTA would provide MOH with \$8,000,000 in non-federal funds for Housing Project construction costs, MOH would require CCDC to build the Housing Project and lease Housing Project units to income-qualified Displaced Households, and SFMTA would provide annual rental subsidy for below-income Displaced Households who move to the Housing Project (projected at \$28,188 per year for 30 years). The 5 Displaced Households that used their relocation benefits to purchase homes will not qualify for the Housing Project rental housing option.

**ENCLOSURES:**

1. Resolution
2. Memorandum of Understanding

**APPROVALS:**

**DATE**

DIRECTOR \_\_\_\_\_

11/28/12

SECRETARY \_\_\_\_\_

11/28/12

ASSIGNED SFMTAB CALENDAR DATE: December 4, 2012

**PURPOSE**

This report requests that the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors authorize the Director of Transportation to execute a Memorandum of Understanding (MOU) by and between SFMTA and the City and County of San Francisco Mayor's Office of Housing (MOH) to replace demolished Chinatown affordable housing units and provide a permanent replacement housing option to residential households displaced by the construction of the Central Subway Project Chinatown Station (Project), thereby implementing the Federal Transit Administration (FTA), SFMTA Board, Board of Supervisors, and Mayor approved Central Subway Project Relocation Impact Study and Last Resort Housing Plan (Relocation Plan).

**GOAL**

This item will meet the following goals and objectives of the SFMTA Strategic Plan:

Goal 3 – Improve the environment and the quality of life in San Francisco

Objective 3.2: Increase the transportation system's positive impact to the economy.

Objective 3.3: Allocate capital resources effectively.

**DESCRIPTION**

On January 10, 2012, SFMTA acquired a mixed use property located at 933-949 Stockton Street, San Francisco, California (Chinatown Property), for the Project. SFMTA relocated the former Chinatown Property building tenants and is providing them with certain relocation benefits required under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C 4601 *et seq.*) and the Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-Assisted Programs (49 CFR Part 24), collectively known as the Uniform Relocation Act.

The FTA will fund the 42-month rent subsidy (Federal Rental Subsidy) SFMTA must pay to the relocated Chinatown Property residential tenants (Displaced Households) under the Uniform Relocation Act. The Displaced Households also received other FTA-funded relocation benefits under the Uniform Relocation Act, including the identification of comparable replacement housing that is decent, safe and sanitary and financial assistance necessary to move from the Chinatown Property. During the Chinatown Property acquisition process, many Displaced Households questioned the limited 42-month period of the Federal Rental Subsidy. Pursuant to that concern, SFMTA staff and the Mayor's Office of Housing (MOH) began negotiating the subject MOU, which addresses those Displaced Household concerns by providing a long-term replacement housing solution that would extend beyond the 42-month period of the Federal Rental Subsidy.



The Relocation Plan included SFMTA's plan to provide this long-term replacement housing option for income-qualified Displaced Households. The Relocation Plan was approved by the FTA on July 13, 2010, the SFMTA Board on August 3, 2010, and the Board of Supervisors on December 7, 2010, with the Mayor signing the legislation approving the Relocation Plan on December 8, 2010.

Pursuant to policy established in the Chinatown Area Plan of the City's General Plan, the SFMTA recommended replacement of the demolished Chinatown Property affordable housing units by providing \$8,000,000 in non-federal funds (Replacement Housing Funds) to MOH to partially fund the construction of a 75-unit affordable housing project (Housing Project) that will be located at property under MOH's jurisdiction at Broadway and Sansome Streets (MOH Property). Once the Housing Project is built, MOH will provide Housing Project units as a permanent replacement housing option for the Displaced Households who meet the Housing Project's affordability requirements and wish to relocate from their initial replacement housing locations. The Housing Project affordable rental units would not be available to the five Displaced Households who purchased homes with their relocation benefits.

If any Displaced Household moves to the Housing Project and has an income below the Housing Project tenant income level targeted for Housing Project viability, SFMTA will provide capped rental subsidies to MOH for such under-income Displaced Household. Based on current Displaced Household incomes, that subsidy amount is currently projected to be approximately \$28,188 per year for 30 years. The following summarizes the proposed Housing Project, and describes the key business terms of the MOU and the benefits available to income-qualified Displaced Households.

### **Overview of the Housing Project**

The MOH Property is a former freeway on-ramp parcel previously earmarked by the City for a future affordable rental housing project. The selection of the MOH Property developer followed the traditional path, with MOH issuing a Request for Proposals (RFP) for the development of an affordable rental housing project at the MOH Property. On March, 7, 2007, the RFP submissions were due and MOH received one proposal from CCDC. On June 12, 2007, MOH conditionally selected CCDC to develop the Housing Project. Following a period of negotiations, on July 20, 2010, CCDC entered into a ground lease for the MOH Property for up to 99 years, which provides for the construction and operation of the Housing Project.

MOH will oversee and assist the CCDC's efforts to obtain entitlements and sufficient financing to construct the Housing Project, and will oversee CCDC's operation of the Housing Project.

**Key business terms of the MOU between the SFMTA and MOH**

The SFMTA will provide \$8,000,000 in Replacement Housing Funds for MOH to loan to CCDC (MOH Loan) for the construction of the Housing Project, thereby replacing the 18 Chinatown Property affordable residential units demolished by SFMTA for the Project. This will be a non-equity position, with the Replacement Housing Funds provided to MOH in 2 equal installments and MOH subsequently disbursing those funds to CCDC on a cost-reimbursement basis.

SFMTA will only provide the first installment of \$4,000,000 in Replacement Housing Funds to MOH if (i) CCDC and City execute loan documents (MOH Loan Documents) for the MOH Loan in a form approved by SFMTA, (ii) CCDC obtains the entitlements, building permits, and Ground Lease approvals needed to construct the Housing Project, (iii) all environmental review required for the construction of the Housing Project is completed, and (iv) CCDC obtains an additional construction loan (CCDC Construction Loan) by March 1, 2013, for the Housing Project construction costs that would not be funded with the MOH Loan. If those events do not occur, it is within the SFMTA's discretion to waive such conditions. SFMTA's transfer of the first installment of \$4,000,000 in Replacement Housing Funds is projected to occur on or before March 1, 2013, with the CCDC Construction Loan closing and construction commencing soon thereafter.

SFMTA will only provide the second installment of \$4,000,000 in Replacement Housing Funds to MOH if a temporary certificate of occupancy for the Housing Project (TCO Event) is issued by the City's Department of Building Inspection by June 1, 2015. The TCO Event is currently projected to occur in December 2014. If the TCO Event does not occur by June 1, 2015, the following will apply:

1. The SFMTA will have the right to terminate the MOU by providing written notice to MOH of such termination on or before August 1, 2015.
2. If the SFMTA elects to terminate the MOU, MOH will either return the first installment of \$4,000,000 in Replacement Housing Funds to SFMTA within 30 days or provide the SFMTA with an acceptable cure plan to achieve the TCO Event.
3. If MOH returns the first installment of \$4,000,000 in Replacement Housing Funds to SFMTA, the SFMTA will have no future obligation to the MOH relative to the Housing Project and will explore other permanent housing solutions for the Displaced Households.

MOH will only use the Replacement Housing Funds for the MOH Loan, which will be disbursed to CCDC on a cost-reimbursement basis. As part of its management rights under the MOH Loan Documents and the Ground Lease, MOH will monitor the construction of the Housing Project. Should MOH Loan Document modifications be necessary, MOH will obtain the SFMTA's prior written consent of approval. Furthermore, should the CCDC Construction Loan not close on or before September 1, 2013, due to reasons within the control of MOH or CCDC, MOH will return the first installment of \$4,000,000 Replacement Housing Funds to the SFMTA. If there is an uncured default by CCDC under the MOH Loan Documents after MOH begins disbursing the MOH Loan funds to CCDC, MOH will return any undisbursed portion of the initial \$4,000,000

installment of the Replacement Housing Funds to SFMTA. Thus, any uncured defaults by CCDC under the MOH Loan Documents will trigger the potential return of the undisbursed Replacement Housing Funds.

If the 42-month period for the Federal Rental Subsidy ends before the TCO Event, MOH has agreed to provide the same monthly Federal Rental Subsidy currently provided by the SFMTA to the 14 Displaced Households that moved from the Chinatown Property to rental residential units. Those gap payments by MOH will continue until the TCO Event occurs or the MOU is terminated.

### **Benefits for the Displaced Households and Right of First Refusal**

The conditional right to rent a Housing Project residential unit will be available to 14 of the 19 Displaced Households. The other five Displaced Households used their federal relocation benefits package to purchase homes and do not qualify for this long term replacement option. Affordable rental units of appropriate size will be provided to those Displaced Households that choose to move into the Housing Project and initially have a maximum annual income of no more than 50% of area median income (AMI). The Displaced Households that relocate to the Housing Project will be guaranteed affordable rental rates for as long as they reside at the Housing Project and meet the Housing Project income eligibility requirements. All Housing Project tenant incomes will be reviewed annually through an income certification process. Any Displaced Household that has an annual income of more than 50% AMI at the time of the initial application process will not qualify for this permanent replacement housing option because their incomes and assets would exceed the Housing Project's program and project requirements.

CCDC will notify all Displaced Households of the initial rent up of the Housing Project at least 6 months before the TCO Event. At that time, each interested Displaced Household would have 14 days to provide required financial information to CCDC so it can verify their income and assets and determine if they have annual incomes below 50% AMI. Within 5 days of timely receiving required financial information from an interested Displaced Household, CCDC would notify that Displaced Household of its eligibility status. If that notice states the Displaced Household is eligible to rent a Housing Project unit, that Displaced Household would have 10 business days to notify CCDC if they want the unit. If any eligible Displaced Household decided not to accept a Housing Project unit within the 10 day time frame, their conditional right to rent a Housing Project unit would terminate.

To comply with affordable housing requirements, a Housing Project tenant's rent will be capped at 30% of such tenant's income unless that tenant has an annual certified income over 50% AMI. For the Housing Project to be financially feasible, MOH and CCDC have determined that the Housing Project tenants would need to have annual incomes of at least 50% of area median income (AMI). Any Displaced Household with an annual income of less than 50% AMI will be deemed to be an "Under-Income Tenant" for that year.

SFMTA will provide limited rental subsidies for all Under-Income Tenants for the 30 year period following the TCO Event. The annual amount of the rental subsidy for an Under-Income Tenant would be the difference between 30% of 50% AMI and 30% of the Under-Income Tenant's certified income for that year, provided that the total rental subsidy for Under-Income Tenants in any year would be capped at the total rental subsidy provided by SFMTA for Under-Income Tenants for the first lease year (Maximum Annual Subsidy Amount).

Prior to the TCO Event, CCDC will notify MOH and SFMTA of the number of eligible Displaced Households that accepted a Housing Project rental unit, and which of those Displaced Households would be an Under-Income Tenant. SFMTA would then provide the needed Under-Income Tenant rental subsidy amount for the first lease year to MOH, which would provide that subsidy to CCDC. Prior to the commencement of each following lease year for the following 29 years, CCDC would complete an annual income certification of Housing Project tenants and notify MOH and SFMTA of the number of eligible Displaced Households at the Housing Project that would be an Under-Income Tenant during the upcoming lease year. SFMTA would then provide MOH with a rental subsidy (but no more than the Maximum Annual Subsidy Amount) for the Under-Income Tenants for that lease year.

Currently, the Maximum Annual Subsidy Amount is estimated at \$28,188, based on the current incomes of the 14 Displaced Households that relocated to other residential rental units. SFMTA will request annual appropriations of the Maximum Annual Subsidy Amount for the SFMTA's budget from the City Board of Supervisors, terminating on the 30<sup>th</sup> anniversary of the TCO Event. The subsidy only applies to the current head(s) of household and composition of each Displaced Household, as indicated in the MOU.

### **ALTERNATIVES CONSIDERED**

The SFMTA explored various alternatives for providing a long-term replacement housing for households displaced from the Chinatown Property, including: developing replacement housing above the future Central Subway Chinatown Station site; converting an existing Chinatown commercial building to low-income housing, and supporting low income housing developments on other SFMTA owned sites such as Kirkland. The option of providing a financial contribution to support the Broadway and Sansome Housing Project was selected and included in the previously approved Relocation Plan because it offers the most timely and cost effective way to create long term replacement housing in proximity to Chinatown.

### **FUNDING IMPACT**

Approval of this resolution will commit \$8,000,000 in SFMTA funds which have been set aside for this purpose. In addition, SFMTA will be responsible for a 30-year annual subsidy in the approximate amount of \$28,188 to be paid to MOH to subsidize displaced households that relocate to the housing project and are under-income tenants. The amount will have to be budgeted in the SFMTA operating 2-year budgets.

### **OTHER APPROVALS RECEIVED OR STILL REQUIRED**

No other approvals are required.

**RECOMMENDATION**

Staff recommends that the SFMTA Board of Directors authorize the Director of Transportation to execute the MOU to provide for the long term replacement housing solution for the Displaced Households.



SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, The San Francisco Municipal Transportation Agency (SFMTA) intends to construct the Central Subway Project (Project) to provide rail service to the Financial District and Chinatown; and,

WHEREAS, On January 10, 2012, the SFMTA acquired real property located at 933-949 Stockton Street in San Francisco, also known as Assessor's Parcel Number, Block 0211, Lot 001 (Chinatown Property), which was improved with a mixed-use building with residential and commercial tenants; and,

WHEREAS, The SFMTA had to relocate all Chinatown Property tenants in compliance with federal, state and local laws before it can demolish the Chinatown Property building to construct and operate the Project's Chinatown Station; and,

WHEREAS, On August 3, 2010, the SFMTA Board of Directors authorized the Executive Director/ CEO of the SFMTA to implement these relocations according to the standards, guidelines, and recommendations set forth in the Relocation Impact Study and Last Resort Housing Plan for the Central Subway Project (Relocation Plan), which was recommended by the Federal Transit Administration (FTA) and approved by the SFMTA Board of Directors; and,

WHEREAS, On December 8, 2010, the City's Board of Supervisors and Mayor gave final approval of the Relocation Plan, which recommends a long term replacement housing solution for Chinatown Property residential households (Displaced Households) at the 75-unit affordable rental housing project (Housing Project) to be developed at the property at the corner of Broadway and Sansome Streets in San Francisco, California (MOH Property); and,

WHEREAS, The MOH Property is under the jurisdiction of MOH and subject to a ground lease with Chinatown Community Development Center (CCDC), which is required to construct and operate the Housing Project under the terms of the ground lease; and,

WHEREAS, MOH and SFMTA staff have negotiated a Memorandum of Understanding (MOU) to implement the long term replacement housing solution in the Relocation Plan by having SFMTA provide MOH with \$8,000,000 in non-federal funds, having MOH loan those funds to CCDC for the timely construction of the Housing Project, and having MOH require CCDC to rent Housing Project residential units to Displaced Households that are income-qualified and initially relocated to residential rental units, thereby replacing the 18 Chinatown Property affordable housing units that will be demolished for the Project and creating a permanent replacement housing option for up to 14 income-qualified Displaced Households; and,

WHEREAS, SFMTA would provide 30 years of annual rental subsidies to MOH for any Displaced Household that leases a Housing Project residential unit and has an annual certified income of less than 50% adjusted median income (AMI) during such period, with such annual subsidy obligation capped at the annual subsidy amount paid by SFMTA for the first lease year, projected at \$28,188; and,

WHEREAS, Five of the nineteen Displaced Households will not qualify for the permanent replacement housing option at the Housing Project because they used their relocation benefits to purchase homes; and,

WHEREAS, The MOU will assist the SFMTA in meeting the objectives of Goal No. 3 of the Strategic Plan (Improve the environment and the quality of life in San Francisco); now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute the Memorandum of Understanding with the San Francisco Mayor's Office of Housing, to implement the Relocation Impact Study and Last Resort Housing Plan for the Central Subway Project.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of December 4, 2012.

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Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency

## MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "**MOU**"), dated as of \_\_\_\_\_, 2012, is by and between the City and County of San Francisco Municipal Transportation Agency ("**SFMTA**"), and the City and County of San Francisco Mayor's Office of Housing ("**MOH**").

### RECITALS

A. The Redevelopment Agency of the City and County of San Francisco ("**Agency**") and Chinatown Community Development Center, a California nonprofit corporation, entered into a ground lease dated as of July 20, 2010 ("**Ground Lease**"), for the property commonly known as Assessor's Parcel No. 0165-021 and further described in Attachment 1 thereto (the "**Property**").

B. City, as successor in interest to Agency, now owns the Property, and MOH has jurisdiction of the Property and the Ground Lease under Resolution No. 11-12, adopted by the City's Board of Supervisors and Mayor as of January 26, 2012.

C. The Ground Lease provides for the construction and operation of a 75-unit affordable housing project (the "**Housing Project**") at the Property, which is to be rented to households ("**Qualified Households**") that, at the time of initial occupancy, make no more than fifty percent (50%) area median income, as determined by the United States Department of Housing and Urban Development, adjusted solely for actual household size ("**Adjusted Median Income**"), and MOH anticipates the Ground Lease will be assigned to an entity ("**Developer**") that uses tax credit financing to partially pay the Housing Project construction costs.

D. On January 10, 2012, SFMTA acquired property in San Francisco, California commonly known as 933-949 Stockton Street, APN Block 0211, Lot 001 (the "**Chinatown Property**") for the construction and operation of the Central Subway Chinatown Station (the "**Central Subway Project**"), which requires the demolition of the mixed-use building currently located on the Chinatown Property (the "**Building**").

E. The Building contained eighteen (18) residential units with nineteen (19) households, and the fourteen (14) Building residential households listed on the attached Exhibit A (collectively, the "**Displaced Households**") relocated from the Building to other rental sites to accommodate the Central Subway Project.

F. Under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C 4601 *et seq.*) and the Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally-Assisted Programs (49 CFR Part 24) (collectively, the "**Uniform Relocation Act**"), SFMTA must provide a forty-two (42) month rent subsidy (the "**Federal Subsidy Period**") to each Displaced Household.

G. For policy reasons, SFMTA wishes to facilitate the construction of the Housing Project to replace the demolished Building residential units and ensure that, by June 1, 2015, the Housing Project will be a permanent relocation option for income-qualified Displaced Households that wish to relocate to the Housing Project (each, a "**Relocated Household**"). The Housing Project will not be a permanent relocation option for the five (5) Displaced Households that relocated from the Building by using their respective forty-two (42) month Uniform Relocation Act rent subsidy to purchase homes.

H. To further such policy, SFMTA wishes to provide \$8,000,000 (the "**Replacement Housing Funds**") to MOH for the construction of the Housing Project (the "**MOH Loan**"), and

to provide certain rental subsidies for periods in which a Relocated Household leases a Housing Project unit while having a certified income that is less fifty percent (50%) of Adjusted Median Income.

I. SFMTA and MOH further wish to pay any rental subsidies needed if completion of the Housing Project is delayed, all on the terms and conditions specified in this MOU.

## AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.
2. SFMTA Conditions to Delivery of Replacement Housing Funds. If each of the SFMTA Conditions (defined as follows) and the requirements set forth in Section 3(b) is fully satisfied, SFMTA shall transfer the Replacement Housing Funds to MOH and MOH shall loan the Replacement Housing Funds to Developer for the construction of the Housing Project, all on the terms specified below.

The "**SFMTA Conditions**" are as follows:

- (a) SFMTA shall have demolished the Building for the Central Subway Project;
- (b) Developer shall have executed a construction loan agreement ("**Loan Agreement**"), a promissory note in the original principal amount of \$8,000,000, a deed of trust ("**Deed of Trust**") and a regulatory agreement ("**Regulatory Agreement**") in favor of City (collectively, the "**Loan Documents**"), based on standard MOH residual receipt loan documents for construction of new housing projects and including the loan terms described on the attached Exhibit B and any additional loan terms or conditions approved by MOH and SFMTA;
- (c) The Mayor or the Mayor's designee, acting in his or her sole discretion, shall have executed the Loan Agreement;
- (d) Developer shall have received all entitlements necessary to construct the Housing Project and have sufficient evidence of its receipt of, or right to receive, all funds necessary to fully construct the Housing Project from lenders or investors reasonably satisfactory to SFMTA, all environmental review required for the construction of the Housing Project shall have been completed, and all approvals of landlord required under the Ground Lease shall have been received;
- (e) The conditions for the first disbursement of loan proceeds specified in the Loan Agreement shall have been met, and the Deed of Trust and the Regulatory Agreement, each of which shall encumber Developer's leasehold interest in the Property, shall have been recorded in the Official Records of San Francisco County;
- (f) Developer shall have received a construction loan for the Housing Project on or before March 1, 2013, which shall be in an amount that, together with the MOH Loan, will be equal to the anticipated costs to construct the Housing Project (the "**Construction Loan**");
- (g) MOH shall have approved the final plans and specifications for the construction of the Project (the "**Approved Plans**"); and

(h) Developer shall not be in default under any of its obligations under the Loan Documents, the Ground Lease, or any other loan documents between MOH and Developer for the Housing Project.

Notwithstanding anything to the contrary in this MOU, SFMTA shall have no obligation to transfer the Replacement Housing Funds to MOH unless all of the SFMTA Conditions and the additional requirements in Section 3(b) are timely satisfied or otherwise waived by SFMTA, acting in its sole discretion.

3. Funding and Project Schedule.

(a) Project Updates. MOH shall provide SFMTA with regular updates on the status of Developer's efforts to construct the Housing Project, including but not limited to information regarding the status of environmental review and entitlements for the Housing Project, the status of the Construction Loan, the assignment of the Ground Lease to Developer, receipt of financing for the Housing Project, including the application and award or denial of tax credits and commitments from any tax credit investors, the preparation and finalization of construction documents, the projected Construction Loan closing date, the status of construction, and the anticipated dates that the temporary certificate of occupancy and the final certificate of occupancy for the Housing Project will be issued by the City's Department of Building Inspection.

(b) Delivery of Replacement Housing Funds. If all of the SFMTA Conditions are timely satisfied or otherwise waived by SFMTA, acting in its sole discretion, on receipt of at least thirty (30) days' notice of the anticipated close of the Construction Loan from MOH, SFMTA shall deliver \$4,000,000 of the Replacement Housing Funds (the "**First Installment**") to MOH at least ten (10) days prior to the scheduled close of the Construction Loan. MOH shall not disburse the First Installment to Developer until all conditions precedent for the disbursement of loan proceeds under the Loan Agreement have been met. If all of the SFMTA Conditions are satisfied or otherwise waived by SFMTA and a temporary certificate of occupancy is issued by the City's Department of Building Inspection for the Housing Project (the "**TCO Event**") on or before June 1, 2015, SFMTA shall deliver the remaining \$4,000,000 of the Replacement Housing Funds to MOH within thirty (30) days of receiving a copy of such temporary certificate of occupancy.

(c) Gaps Between Federal Subsidy Period and TCO Event. If the Federal Subsidy Period for a Displaced Household ends before the TCO Event, MOH shall provide such Displaced Household with the same monthly rental subsidy provided to such Displaced Household during the Federal Subsidy Period. MOH's obligation to provide rental subsidies to any Displaced Household pursuant to this subsection shall terminate on the earlier to occur of the last day of the month immediately following the TCO Event and any termination of this MOU pursuant to Section 8. Any monthly rental subsidies provided by MOH for a Displaced Household pursuant to this subsection shall be provided in the same manner as the rental subsidy provided by SFMTA to such Dislocated Household pursuant to the Uniform Relocation Act, or in any other manner mutually approved by MOH and SFMTA.

4. Use of Replacement Housing Funds; Enforcement of Loan Documents. MOH shall only use the Replacement Housing Funds to make MOH Loan disbursements to Developer pursuant to the terms and conditions of the Loan Documents. MOH shall monitor Developer's construction of the Housing Project and require Developer to timely perform its obligations under the Loan Documents. MOH shall obtain SFMTA's prior written consent to modify or amend the Loan Documents or waive any Developer obligations or City rights under the Loan Documents if such waiver could affect the timely construction of the Housing Project in compliance with the Approved Plans, the date of the TCO Event, the initial lease up of the Housing Project, the income verification process for the Displaced Households, or the Displaced Households' conditional rights of first refusal to lease residential units at the Housing Project.

If the Construction Loan does not close within one hundred eighty (180) days following the scheduled close of the Construction Loan due to reasons within the control of MOH or the Developer, MOH shall return the First Installment to SFMTA. In addition, if Developer is in default under the Loan Documents, and such default is not cured within the time periods for such cure specified in the Loan Documents, any Replacement Housing Funds held by MOH at such time shall be returned to SFMTA. MOH acknowledges that delays in the project schedule will extend the period of time for its rental subsidy obligations under Section 3(c).

MOH shall not cancel or otherwise return the Promissory Note to Developer (or its successors or assigns) if Developer (or its successors or assigns) fails to perform its obligations, or to timely cure any of its defaults, under the Loan Documents to the extent such obligations or defaults delay the timely construction of the Housing Project or negatively affect the operation of the Housing Project or the Housing Project tenant and tenant applicant income verification process.

5. Right of First Refusal for Displaced Households.

(a) Right of First Refusal. The Loan Documents shall require Developer to provide each Displaced Household with a right of first refusal to lease a Housing Project unit if such Displaced Household is a Qualified Household, meets the program and project requirements listed on the attached Exhibit C, timely delivers Required Information (as defined in the following subsection) to Developer, and has not previously waived such right of first refusal in writing. Such right of first refusal shall be in a form approved by SFMTA and attached as an exhibit to the Loan Documents, shall be executed by Developer and delivered to each Displaced Household (with a copy to SFMTA) within the thirty (30) day period following the date that the Loan Agreement is fully executed.

(b) Application Process. The Loan Documents shall require Developer to follow the following process for offering Displaced Households a residential unit at the Housing Project:

i. Developer will deliver written notice of the initial rent up of the Housing Project units to all Displaced Households at least six (6) months before the projected end of initial construction of the Housing Project, and invite each Displaced Household to meet with Developer for an intake interview to determine eligibility for a Housing Project unit. The letter will detail the income-qualification information that they need to bring with them to the interview (the "**Required Information**").

ii. Such notices shall be delivered in person or by a certified letter delivered by the U.S. Postal Service, with a copy delivered to MOH and to SFMTA. If a Displaced Household does not bring all of the Required Information at the time of the interview, it will be given fourteen (14) business days following such interview to provide the missing Required Information.

iii. Within three (3) days following such interview (or the date that a Displaced Household timely delivers all Required Information not provided at such interview), Developer shall deliver written requests to applicable third party sources to verify the income and assets of a Displaced Household and determine if such Displaced Household is a Qualified Household and/or an Under-Income Household (as defined in Section 6(a)). Developer will not be required to request verification of the income and assets of any Displaced Household that does not timely deliver the Required Information. Within five (5) days of receiving all the verified income and asset information required for a Displaced Household, Developer will deliver written notice (the "**Initial Certification Notice**") to notify

such Displaced Household whether it is a Qualified Household and, if so, the Housing Project unit and rent available to such Displaced Household.

iv. If a Displaced Household is a Qualified Household, it shall have ten (10) business days from the date of receiving the Initial Certification Notice to notify Developer if it decides to lease the unit. If any of the Displaced Households receives an Initial Certification Notice that indicates such Displaced Household a Qualified Household, but the Displaced Household does not timely notify Developer of its decision to lease the unit, such Displaced Household's right of first offer to lease a Housing Project unit shall automatically terminate on the eleventh (11<sup>th</sup>) day immediately following its receipt of the Initial Certification Notice.

(c) Housing Project Unit Selection. Each Displaced Household that is offered a Housing Project unit pursuant to the foregoing application process shall be offered a Housing Project unit that is appropriate to its household size and at a rent that is the lowest qualifying rent for such Displaced Household, subject to availability of such unit size and funding regulations applicable to the Housing Project. If some Displaced Households occupy all of the available units at a particular size or lower rent level, resulting in any Displaced Households needing to occupy larger units or units with higher rental rates, Developer will place Displaced Household in units such that the rental subsidies to be paid by SFMTA for Under-Income Households pursuant to Section 6 below is minimized. The attached Exhibit D describes the projected Housing Project lease up schedule, the projected initial rents and the projected unit sizes for the fourteen (14) Displaced Households that moved from the Building to other rental residential units, assuming all Displaced Households will be Qualified Households that elect to move to the Housing Project. Minor variations in the actual rent charged may occur, based on final income certifications for the Qualified Households.

(d) Over-Income and Non-Responding Displaced Households. A Displaced Household that makes more than fifty percent (50%) area of Adjusted Median Income (an "**Over-Income Household**") would not meet the income eligibility requirements for the Housing Project. MOH shall notify SFMTA of any Displaced Household that is determined to be an Over-Income Household through the application process described in Section 5(b), and any Displaced Household that does not timely provide Developer with the Required Information, does not timely contact Developer to have a lease application interview, or waives its right of first refusal.

(e) Outreach Efforts. During the ninety (90) day period immediately following the full execution of the Loan Agreement, MOH shall attend at least one (1) meeting with the Displaced Households, MTA and Developer to explain the proposed Housing Project and the Housing Project units, the rights of first refusal to lease the Housing Project units, and the lease application and income eligibility verification process for leasing a Housing Project unit. After such initial meeting, and continuing until the TCO Event, MOH shall have at least one (1) MOH staff member available to meet individually with each Displaced Household on request to answer any questions such Displaced Household may have regarding such matters and to facilitate any discussions between SFMTA and Developer.

(f) SFMTA Provision of Income Information. To the extent that SFMTA possesses any information required for the income verification process described in Section 5(b), SFMTA shall share such information with MOH and Developer, and their respective agents, employees or contractors, or any property manager or funders for the Replacement Housing designated by MOH; provided, however, that SFMTA shall not be required to provide such information unless the applicable Displaced Household gives written permission to SFMTA for such disclosures. MOH shall, and shall require that Developer and the respective agents, employees or contractors of MOH and Developer, and any Replacement Housing property manager or funds, keep such information confidential unless the City's Office of the City Attorney deems such information to be public records.

(g) Annual Income Certification for Relocated Households. The Loan Documents shall require that Developer annually certify the incomes of all Relocated Households and keep adequate records of such verifications, together with adequate records of the initial income certification for each Relocated Household.

6. Housing Project Rental Subsidies and Future Over-Income Households.

(a) First Lease Year. If MOH determines that the annual certified income of a Relocated Household is less than fifty percent (50%) Adjusted Median Income (an "**Under-Income Household**") pursuant to Section 5, SFMTA shall provide MOH with a rental subsidy for such Relocated Household in an amount equal to the difference between thirty percent (30%) of fifty percent (50%) Adjusted Median Income (the "**Target Rent Amount**") and thirty percent (30%) of such Under-Income Household's certified annual income (the "**Actual Rent Amount**"); provided, however, that such monthly rental subsidy shall only be paid during the period between the commencement date of such Under-Income Household's lease for the Housing Project and the earlier to occur of the first anniversary of such commencement date and the termination of such Under-Income Household's lease. The total amount of annual rental subsidies provided by SFMTA to MOH pursuant to this subsection shall be the "**Maximum Annual Subsidy Amount**", the first day on which SFMTA provides a monthly rental subsidy pursuant to this subsection shall be the "**Initial Subsidy Date**", and each twelve (12) month period that immediately follows the Initial Subsidy Date or any anniversary of the Initial Subsidy Date shall be a "**Lease Year**".

Within seven (7) days of Developer's completion of the required initial income certification for all Displaced Households that timely deliver the Required Information, MOH shall deliver a statement to SFMTA that lists each Relocated Household that qualifies as an Under-Income Household at such time, the certified income of such Under-Income Household, the Target Rent Amount at the time of the statement, the Actual Rent Amount to be paid by such Under-Income Household, and the twelve (12) month rental subsidy required to cover the difference between the Target Rent Amount and the Actual Rent Amount payable by such Under-Income Household, together with a copy of the fully executed lease for each Under-Income Household listed in the statement. Within thirty (30) days of receiving a complete statement and the fully executed leases for the Under-Income Households listed in the statement, SFMTA shall deliver an amount equal to the twelve (12) month subsidy set forth in such statement to MOH. If any of the Under-Income Households listed in such statement does not lease a Housing Project unit for the entire twelve (12) month subsidy period, the subsidy paid by SFMTA for such Under-Income Household shall be accordingly prorated, and the remaining portion of such subsidy shall be used to offset any rental subsidy amount payable by SFMTA for the following Lease Year.

(b) Subsequent Lease Years. MOH shall require Developer to perform an updated annual income certification for each Relocated Household on or before each anniversary of the commencement date of such Relocated Household's lease for the Housing Project. If any updated annual income certification discloses that a Relocated Household is an Under-Income Household at such time, SFMTA shall provide MOH with a monthly rental subsidy for such Under-Income Household in an amount equal to the difference between thirty percent (30%) of fifty percent (50%) Adjusted Median Income and thirty percent (30%) of such Under-Income Household's certified annual income; provided, however, that such monthly rental subsidy shall only be paid through the twelve (12) month period immediately following such updated annual income certification and the termination of such Under-Income Household's lease. Notwithstanding anything to the contrary in the foregoing, the total amount of rental subsidies to be provided by SFMTA in any Lease Year pursuant to this subsection shall not exceed the Maximum Annual Subsidy Amount, and shall terminate on the thirtieth (30<sup>th</sup>) anniversary of the Initial Subsidy Date.



After an updated annual income certification of Relocated Households is completed, MOH shall deliver a statement to SFMTA that lists each Relocated Household that qualifies as an Under-Income Household at such time, the certified income of such Under-Income Household, the Target Rent Amount at the time of the statement, the Actual Rent Amount to be paid by such Under-Income Household, and the twelve (12) month rental subsidy required to cover the difference between the Target Rent Amount and the Actual Rent Amount payable by such Under-Income Household, together with a copy of the fully executed lease for the Under-Income Household listed in the statement. Within thirty (30) days of receiving a complete statement and the fully executed leases for each Under-Income Household, SFMTA shall deliver an amount equal to the twelve (12) month subsidy set forth in such statement to MOH. If any of the Under-Income Households listed in such statement does not lease a Housing Project unit for the entire twelve (12) month subsidy period, the subsidy paid by SFMTA for such Under-Income Household shall be accordingly prorated, and the remaining portion of such subsidy shall be used to offset the rental subsidy amount payable by SFMTA for the following Lease Year; provided, however, that any such subsidy portions remaining at the end of the thirtieth (30<sup>th</sup>) Lease Year shall be returned to SFMTA within thirty (30) days following the end of such Lease Year, together with a statement detailing the calculation of such amount.

(c) Head of Household Qualification. The heads of each Displaced Household is designated in the attached Exhibit A, together with the other individuals that currently comprise such Displaced Household. If one or more of the original members of a Relocated Household moves to a different residence, at the Housing Project or otherwise, the members of such Relocated Household shall automatically be revised to be the original head of such Relocated Household and the individuals who continue to reside with such person. For example, if a Relocated Household was originally comprised of a mother, an uncle, and two sons, with the mother originally designated as the head of such Relocated Household, and the two sons eventually move to a separate Housing Project unit, the members comprising such Relocated Household shall be automatically revised to be the mother and the uncle. In such a scenario, SFMTA would have no obligation to provide rental subsidies pursuant to this Section for the two sons, even if the two sons resided at a different unit at the Housing Project and were determined to be an Under-Income Household.

(d) Senior Households. If any Displaced Household is comprised of a senior citizen who wishes to reside in a senior affordable housing project instead of the Housing Project, MOH shall identify any senior affordable housing project in San Francisco, California, to which such Displaced Household would be eligible. If such Displaced Household relocates to a senior affordable housing project instead of the Housing Project, it will not qualify for any rental subsidies to be made by SFMTA pursuant to this MOU. If any Relocated Household is comprised of a senior citizen who wishes to move from the Housing Project to a senior affordable housing project, MOH shall identify any senior affordable housing project in San Francisco, California, to which such Relocated Household would be eligible. If such Relocated Household relocates to a senior affordable housing project, it will not qualify for any rental subsidies to be made by SFMTA pursuant to this MOU.

(e) Relocation Period. If a Displaced Household moves into a Housing Project unit during the Relocation Period applicable to such Displaced Household, SFMTA shall continue to provide the rental subsidies it is required to provide to such Displaced Household under the Uniform Relocation Act during the Relocation Period.

(f) Rent Levels. The monthly rental rate for a Relocated Household's unit at the Housing Project shall not exceed the then Target Rent Amount; provided, however, that if a Relocated Household becomes an Over-Income Household at any time after the initial income certification process described in Section 5(b), MOH shall require Developer to continue to rent the same Housing Project unit to such Over-Income Household at the allowed tax credit rent applicable to such Housing Project unit for such income level. In such cases, the portion of any monthly rental rate paid by a Relocated Household that exceeds the then Target Rent Amount



or such other address that a party may from time to time designate by notice to the other parties given pursuant to the provisions of this Section.

10. Authority. All matters requiring MOH's approval shall be approved of by the Director of MOH or his or her designee. All matters requiring SFMTA's approval shall be approved of by the SFMTA Director of Transportation or his or her designee, or by the SFMTA Board of Directors, if required.

11. Cooperation. Subject to the terms and conditions of this MOU, SFMTA and MOH shall use reasonable efforts to do, or cause to be done, all things reasonably necessary or advisable to carry out the purposes of this MOU as expeditiously as practicable, including, without limitation, performance of further acts and the execution and delivery of any additional documents in form and content reasonably satisfactory to all parties (subject to any necessary approvals). Notwithstanding anything to the contrary in this MOU, no party is in any way limiting its discretion or the discretion of any department, board or commission with jurisdiction over the actions described in this MOU, including but not limited to a party hereto, from exercising any discretion available to such department, board or commission with respect thereto, including but not limited to the discretion to (i) make such modifications deemed necessary to mitigate significant environmental impacts, (ii) select other feasible alternatives to avoid such impacts; (iii) balance the benefits against unavoidable significant impacts prior to taking final action if such significant impacts cannot otherwise be avoided, or (iv) determine not to proceed with construction funds for the proposed Housing Project or facilitating the development of the Housing Project.

12. Miscellaneous. (a) This MOU may be amended or modified only by a writing signed by the SFMTA's Director of Transportation, or his or her designee, the Director of MOH, or his or her designee. (b) No waiver by any party of any of the provisions of this MOU shall be effective unless in writing and signed by an authorized representative, and only to the extent expressly provided in such written waiver. (c) This MOU (including all exhibits) contains the entire understanding between the parties as of the date of this MOU, and all prior written or oral negotiations, discussions, understandings and agreements are merged herein. (d) Notwithstanding anything to the contrary set forth herein, no officer, director, or employee of SFMTA has the authority to bind SFMTA to any action contemplated herein unless and until its Board of Directors and the Board of Supervisors or the Mayor, if necessary, approves thereof, and no officer, director or employee of MOH has the authority to bind MOH, as applicable, to any action contemplated herein unless and until the Board of Supervisors or the Mayor, as applicable, approves of such action. (e) All transactions described herein are subject to and must be conducted in accordance with the applicable requirements of the City's Charter and codes and applicable state and/or federal laws.

IN WITNESS WHEREOF, the parties have caused this MOU to be executed as of the date first written above.

**SFMTA:**

**SAN FRANCISCO MUNICIPAL  
TRANSPORTATION AGENCY**

By: \_\_\_\_\_  
Edward D. Reiskin  
Director of Transportation

Date: \_\_\_\_\_

San Francisco Municipal Transportation Agency  
Board of Directors

Resolution No. \_\_\_\_\_

Adopted: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Secretary, SFMTA Board of Directors

**MOH:**

**MAYOR'S OFFICE OF HOUSING**

By: \_\_\_\_\_  
Olson Lee, Director

Date: \_\_\_\_\_

**EXHIBIT A**

**Displaced Households**

<b>Household #1 (Former Unit #1):</b>	<b>Zhuo Sheng Guan*, Qi Liang, Victor Guan, Gavin Guan</b>
<b>Household #2 (Former Unit #2):</b>	<b>Shi Sen Zhu*, Ai Na Chen, Shan Shan Zhu, Andy Zhu</b>
<b>Household #3 (Former Unit #3A):</b>	<b>Jun Yu Tan*, Xiu Xian Li, Run Bin Tan</b>
<b>Household #3 (Former Unit #3B):</b>	<b>Mei Qing Zhou, Rong Guang Guan, Chao Peng Guan, Jin Ling Guan</b>
<b>Household #4 (Former Unit #4):</b>	<b>Min Ying Wong*</b>
<b>Household #5 (Former Unit #7A):</b>	<b>Ken Lee*, Kim Lee, Eileen Lee, Virginia Lee</b>
<b>Household #6 (Former Unit #8):</b>	<b>Yi Fu Guan*, Yin Mei Guan, Shu Rong Guan</b>
<b>Household #7 (Former Unit #9A):</b>	<b>Xiao Mei Li*, Yong Hui Mei, Jing Tae Mei</b>
<b>Household #8 (Former Unit #9B):</b>	<b>Ding Hua Tong*, Qui Xiang Liang</b>
<b>Household #9 (Former Unit #10):</b>	<b>Jin Sen Kuang*, Chun Gui Zhao</b>
<b>Household #10 (Former Unit #11):</b>	<b>Christina Leung*, Wei Zhang Situ, Sonny Sito, Lotus Sito</b>
<b>Household #11 (Former Unit #14):</b>	<b>Wei Zhong Li*, Dai Di Wu, Keng Heng Li, Keng Hua Li, Yena Li</b>
<b>Household #12 (Former Unit #16):</b>	<b>Su Juan Zhao*, Bing Mo</b>
<b>Household #13 (Former Unit #17):</b>	<b>Yan Ying Huang*</b>

\* Head of household

## **EXHIBIT B**

### **Loan Terms**

- Regulatory Agreement to require specified mix of affordable housing units, specified approved rent levels, and specify that each Displaced Household that meets the Project affordability requirements will have rights to lease a unit at the project.
- MOH shall have approved the construction plans and specifications for the Housing Project, which must provide for the following number of residential units: five 1-bedroom, four 2-bedroom, and five 3-bedroom
- A certificate of occupancy shall have been issued for the Housing Project by June 1, 2015, and Housing Project units shall be available for leasing by June 1, 2015.
- Developer shall provide reports for the construction of the site and for the provision of rent units to the Displaced Households
- The developer fee and manager fee to be paid to Developer shall comply with established MOH policy
- Changes of more than 5% from the proposed budget attached as Attachment 1 shall require MOH's prior written consent
- Developer shall not be in default under its loan documents at any time a disbursement is requested or to be made.
- Leasing and affordable rent restrictions shall apply to the Housing Project units for no less than 55 years
- Borrower shall obtain payment and performance bonds for all Housing Project construction contracts, each in the amount of one hundred percent (100%) of contract amounts, naming the City and Borrower as dual obligees, or other completion security approved by MOH
- Developer must deliver expenditure requests to MOH in form and substance satisfactory to MOH, together with: (i) copies of invoices, contracts or other documents covering all amounts requested; (ii) a line item breakdown of costs to be covered by the expenditure request; and (iii) copies of checks issued to pay expenses covered in the previous expenditure request. MOH shall provide SFMTA with a copy of all such expenditure requests for the Replacement Housing Funds upon request.

Attachment 1 to Exhibit B

<b>BROADWAY SANSOME APARTMENTS</b>	
<b>Chinatown CDC</b>	
<b>SOURCES OF FUNDS - PERMANENT</b>	
San Francisco MOH	\$5,628,658
Accrued/Deferred Interest	\$262,602
HCD MHP General Funds	\$8,104,187
FHLB AHP	\$600,000
MTA - CS Funds	\$8,000,000
Deferred Developer Fee	\$246,500
Capital Contributions	\$0
General Partner	\$100
Limited Partners	\$10,597,706
<b>TOTAL SOURCES</b>	<b>\$33,439,753</b>
Surplus/(Shortfall)	
<b>SOURCES OF FUNDS - CONSTRUCTION</b>	
Tax-Exempt Bond	\$19,263,560
San Francisco MOH	\$7,390,028
Accrued/Deferred Interest	\$262,602
FHLB AHP	\$0
MTA - CS Funds	\$4,000,000
Costs Def Until Perm. Loan Closing	\$687,307
Deferred Developer Fee	\$246,500
Capital Contributions	\$0
General Partner	\$100
Limited Partners	\$1,589,656
<b>TOTAL SOURCES</b>	<b>\$33,439,753</b>
Surplus/(Shortfall)	\$0
<b>BROADWAY/SANSOME</b>	
<b>Uses of Funds</b>	
<b>USES OF FUNDS</b>	
<b>ACQUISITION COSTS</b>	
Land	TBD
Holding Costs	\$10,000
Demolition	\$67,500

<b>GENERAL DEVELOPMENT COSTS</b>	
Structures	\$19,534,400
General Conditions	\$1,164,170
Contractor Overhead & Profit	\$927,884
Contractor Insurance & Bond	\$266,254
Construction Contingency	\$2,189,270
NIC Construction Work	\$110,000
Local Development Impact Fees	\$332,009
Local Permits/Fees	\$734,592
Utility Hook-Ups	\$295,000
Phase I/Asbestos/Toxics	\$53,500
NEPA/CEQA	\$75,000
Other Consultants/Engineers	\$89,500
Site Improvements/Landscape	\$125,000
Architecture	\$1,944,053
Relocation	\$60,000
Appraisal	\$20,000
Construction Management	\$110,000
Market Study	\$15,000
Survey	\$35,000
Construction Testing/Inspection	\$145,774
Construction Period Interest	\$1,926,356
Const. Loan Int - SF MOH (Accrued)	\$262,602
LISC Predevelopment Interest & Fees	\$10,000
Title/Recording/Escrow - Construction	\$35,000
Title/Recording/Escrow - Permanent	\$10,000
Real Estate Taxes During Const.	\$61,750
Real Estate Insurance During Const.	\$61,000
Soft Cost Contingency	\$445,478
Title/Recording/Escrow - Acquisition	\$5,000
TCAC Application/Monitoring Fee	\$36,404
Legal: Acquisition	\$5,000
Construction Closing	\$20,000
Permanent Closing	\$10,000
Organization of Ptnshp	\$5,000
Syndication	\$25,000
Syndication Consulting	\$50,000
Audit/Cost Certification	\$34,000
Furnishings	\$92,500
Op Reserve (SFRA/TCAC/MHP Req.)	\$165,957
Marketing & Lease-Up	\$89,700
Services Set-Up	\$5,000
Lease-Up Reserve	\$81,366
Developer Fee	\$1,200,000



<b>FINANCING FEES</b>	
Lender Counsel	\$35,000
Bond Counsel	\$45,000
MOH Financial Advisor	\$30,000
SF Issuer Fee	\$96,318
SF Issuer Fee (during const)	\$56,185
Lender Orig. Fee	\$192,636
Lender Expenses	\$33,000
CDIAC Fee	\$3,853
CDLAC Fee	\$6,742
Subtotal - Financing/Costs of Issuance	\$498,734
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$33,439,753</b>

**EXHIBIT C**

(Next Page)

## EXHIBIT C

### **Broadway-Sansome Apartments Tenant Selection Criteria Outline**

November 2012

#### **I. Qualifying for Admission**

- A. One or more persons living together, including Live-in Aides, and members temporarily absent, may be considered a part of the household group if they are living or will live regularly with the household.
- B. The family's annual income must not exceed program income limits.
- C. Applicants must disclose valid social security numbers for all family members at least 6 years of age and older and provide proof of the numbers reported.
- D. All adults in each applicant family must sign an Authorization for Release of Information prior to receiving assistance and annually thereafter.
- E. The unit for which the family is applying must be the family's only residence.
- F. An applicant must agree to pay the rent required by the program under which the applicant will receive assistance.
- G. Only U.S. citizens or eligible non-citizens may receive assistance under Section 8, Section 236, Rent Supplement, Rental Assistance Payment (RAP), and Section 202/811 programs.
- H. All information reported by the family is subject to verification.
- I. Various subsidy or insurance programs may impose additional occupancy restrictions.
- J. Whose household will meet or exceed the other Resident Selection Criteria set forth in this Policy.

#### **II. Occupancy Standards**

- A. When determining the size of the apartment for which the household qualifies, Staff must include the following individuals who are not living in the unit:
  - 1. Children temporarily absent due to placement in a foster home;
  - 2. Children in joint custody arrangements who are present in the household 50% or more of the time;
  - 3. Children who are away at school but who live with the family during school recesses;
  - 4. Unborn children of pregnant women; and

5. Family members in the hospital or rehabilitation facility for periods of limited or fixed duration.
- B. Apartments with special design features are reserved for those persons who have disabilities and their disability is of a nature that they require these features.
- C. In the event that an apartment with special design features is vacant and an applicant requiring the special design features is not available to rent the apartment, another applicant may be housed in the accessible apartment after signing a statement that s/he will transfer to a non-accessible apartment when one is available and move at his/her own expense.

### III. Processing Applications:

- A. Failure to respond to inquiries regarding an application may result in withdrawal of an application from further processing. Management may make exceptions to the procedures described herein to take into account circumstances beyond the applicant's control, for example, medical emergencies.
- B. Written applications must be accepted from anyone who wishes to apply. Subsequent review may eliminate some applications from households that do not qualify and they will be so informed.
- C. Every application must be completed and signed by the head-of-household and/or co-head and other adult members. All other members of the household will be listed on the application form. Staff will assist any applicants who might have trouble completing the application form. This assistance might take the form of answering questions about the application, helping applicants who might have literacy, vision or language problems and, in general, making it possible for interested parties to apply for assisted housing. If an application is returned to an applicant for incompleteness and it is returned completed, the applicant will not lose his/her place on the Waiting List as long as the application is received before the deadline stated in the letter.
- D. All applications will be prescreened to determine if the household income meets the minimum and maximum income limits of the financial program and the size of the household is within the minimum and maximum occupancy standards of the property to which the household is applying. If the applicant is not eligible, he/she will be notified in writing that s/he is not eligible for further processing.

### IV. Admission Preferences

Management must apply the following preference rules when selecting from the list of eligible applicants, i.e., applicants who qualify for admission:

- A. According to regulations issued by HUD in 2000 (Notice 2000-18), 40 % of the assisted (receiving Section 8 subsidy) apartments that become available in each fiscal year are to be available to households whose incomes do not exceed 30% of the area median income ("extremely low-income") at the time of admission. In addition the following must be maintained:
  1. Not more than 25% of units available for occupancy prior to October 1, 1981 shall be rented to low income households (80% of area median), other than very low-income households (50% of area median); or,

2. Not more than 15% of units available for occupancy on or after October 1, 1981 shall be rented to low income households (80% of area median), other than very low-income households (50% of area median).

In other words, until at least 40% of the vacancies have been rented to applicants whose incomes do not exceed 30% of the area median income limit, no more than 15% or 25% of the remaining vacancies may be rented to applicants whose incomes do not exceed 80% (low-income) of the median income limit and the rest to applicants whose incomes do not exceed 50% (very-low-income) of the median income limit.

- B. The following items will be received to determine eligibility and suitability for admission to this property.

1. Eligibility information
2. Annual Income information
3. Assets and Asset Income information
4. Social Security Numbers of all household members
5. Birth Certificates for all children under 18 years old

All adult household members must be present at the interview or the application cannot continue to be processed.

V. Priority for Accessible or Adaptable Apartments

Apartments with special design features are reserved for those persons who have disabilities and their disability is of a nature that they require these features will have first priority. Broadway Family Apartments has units reserved for the visual and hearing impaired which include but are not limited to: strobe lights connected to the doorbells and accessible units which include but not limited to: larger bathrooms, adjustable kitchens, etc.

NOTE: Current residents in good standing requiring accessible/adaptable apartments shall be given priority over applicants requiring the same type of apartment. Where no such applicants or current residents are at hand, management reserves the right to hold such apartments available while outreach efforts are in process to obtain applicants with the need for such apartments. Where non-handicapped persons are moved into apartments designed to meet special needs, they shall do so only after signing a Lease addendum agreeing to move to an apartment with no design features should an applicant or current resident require an accessible apartment of the type currently occupied by the non-handicapped person. The required move would be at the resident's own expense.

VI. Verification Requirements

Types of Verifications Required:

All information relative to the following items must be verified as described in these procedures:

- A. Eligibility for admission, such as:
1. Income
  2. Assets and asset income
  3. Household composition
  4. Social security numbers
- B. Allowances, such as:
1. Age, disability, or handicap, of household members
  2. Full time student status

- C. In Compliance with the Resident Selection Criteria, such as:
  - 1. Documented ability and willingness to abide by Lease requirements;
  - 2. Previous history of tenancy, rent paying, caring for a home and household members;
  - 3. Criminal activity, eviction history and registered sex offender of all adult household members.

All the above information must be documented and appropriate verification forms or letters placed in the applicant's file.

VII. Period for Verification

Only verified income information that is less than 120 days old may be used for certification or re-certification. All verifications shall be date stamped upon receipt in the office. The 120-day period begins from the date of the stamp, which is the date the verification was received, and not the date it was filled out by the sender. Verified information not subject to change (such as a person's date of birth) need not be re-verified.

Information obtained which is subject to change and for which verifications are more than 120 days old, must be re-verified.

VIII. Forms of Verification

Documentation employed as part of the verification process may include:

- A. Checklists completed as part of the interview process and signed by the applicant;
- B. Verification forms completed and signed by Third Parties or any Clarification Records documenting third-party telephone calls must be in the file;
- C. Documents provided by the household such as:
  - 1. Benefit checks
  - 2. Income tax returns
  - 3. W-2 forms
- D. Documentation of interviews with the household;
- E. Letters;
- F. Clarification Records of telephone conversations with reliable sources;
- G. Photocopies of check stubs and checking/savings account statements.

If third party verifications are not available, Staff will request other documents, i.e., paycheck stubs, income tax returns, etc. If these documents are not available or Staff has questions regarding them, Staff will call the income source and fill out a Clarification Record to document the conversation. Each file will be documented to show that Staff attempted to obtain third party written documentation before relying on some less acceptable forms of information. Staff will pursue credible documentation until it is obtained or the applicant is rejected for failing to produce it. The Property Supervisor will be the final judge of the credibility of any verification submitted by an applicant or the Director of Property Management if the Property Supervisor is not available.

IX. Attempted Fraud

Any information provided by the applicant on the application proves to be untrue when verified may be used to disqualify the applicant for admission on the basis of attempted fraud. Staff considers false information about the following to be grounds for rejecting an applicant:

- A. Income, assets, household composition
- B. Social Security Numbers

- C. Allowances
- D. Previous resident history or criminal history

Unwitting errors that do not secure an advantage with regard to program eligibility or rent will not be used as a basis to reject applicants.

X. Sources of Information

Sources of information to be checked may include, but are not limited to:

- A. The applicant by means of interviews;
- B. Present and former landlords or housing providers;
- C. Present and former employers;
- D. Credit checks and landlord record services, i.e., evictions;
- E. Criminal background checks and registered sex offender reports;
- F. Household social workers, parole officers, court records, drug treatment centers, clinics, physicians, clergy;
- G. If no landlord verification(s) is available, the applicant must provide letter of reference from three professional people that are able to speak to his/her capability to follow the terms of the Lease and the House Rules.

XI. Verifications and Rent Computations

Annual Income is used to determine eligibility and the Adjusted Income, which is the income upon which rent is based, will be computed in accordance with the definitions and procedures established in Federal law and set forth in the applicable agency regulations.

XII. Verifying Annual Income

- A. Annual Income shall be based on the best available information, considering the past year's income, current income rate and effective date; and shall include estimates for each income recipient in the household.
- B. The income of irregular workers will be estimated on the basis of the best information available, considering earning ability and work history.
- C. When an applicant reports zero income, Staff will request the members of the household to sign Public Assistance and Unemployment Verifications to verify that the household does not receive income from these sources. Members of the household will also sign a Zero Income form certifying that s/he does not receive income from any source. If the verification forms are returned indicating that an applicant does receive income, Staff will contact the Property Supervisor to and deny the application for attempted fraud.
- D. Overtime income will be computed in accordance with verification obtained on the Employment Verification form from the employer unless the applicant is able to provide other reliable or accurate information.

XIII. Determination of Applicant Qualification

- A. Past performance in meeting financial obligations, especially rent paying; if an applicant receives monthly less than the amount equal to **two times the rent** of the apartment s/he is interested in renting, the Property Supervisor will approve the applicant if the applicant can provide evidence of the following:
  - 1. that s/he has paid a similar proportionate share of his/her income for rent in the past and was able to fulfill the lease requirements; or

2. If the applicant has a Section 8 voucher or will be receiving Section 8 at the property at which s/he is applying.
- B. A record of disturbance of neighbors, destruction of property, or living or housekeeping habits at prior residences which may adversely affect the health, safety or welfare of other residents, or cause damage to the apartment or development;
  - C. If any adult member of the household is a registered sex offender or is involved in criminal activity which would adversely affect the health, safety or welfare of other residents;
  - D. A record of eviction from housing or termination from a residential program;
  - E. An applicant's ability and willingness to comply with the terms of the Lease;
  - F. An applicant's misrepresentation of any information related to eligibility, allowances, household composition or rent.

XIV. How an Applicant's History will be Checked

Current and prior landlords will be contacted to determine the following:

- A. Rent paying history, disturbance of neighbors, destruction of property, or living or housekeeping habits that would pose a threat to other residents. This will be checked first by contacting the current landlord and all landlords from the previous three years. The Housing Verification Form will be used to gather information about past performance meeting rental obligations. If Staff has questions about information received, they must contact the landlord by phone in order to verify that documentation is reliable and credible. If Staff receives any negative information from a former landlord, the application will be rejected.
- B. A former resident of CCDC (otherwise eligible) who applies still owing a balance of uncollected rent, miscellaneous charges, or any lease violation may not be considered for occupancy unless the applicant only left owing money; s/he may pay the money due and continue to be considered for occupancy. In this case, Staff makes no distinction between an outstanding balance carried as a current receivable and an outstanding balance that has been written off as a collection loss. Otherwise eligible families who apply for housing with outstanding balances owed to any property managed by CCDC must pay any balance owed within 120 days of filing an application prior to being placed on the Waiting List. Failure to pay within the allotted time will result in the application being rejected.
- C. Staff will hire a contractor to run a social search, eviction history, criminal background check and registered sex offender report on all adult applicants and it will check court records for evidence of evictions or judgments against the applicant. The purpose of these checks is to obtain information on the applicant's past history of meeting financial obligations and future ability to make timely rent payments and to determine if the applicant has a criminal history which makes him/her unacceptable to live at Broadway Family Apartments.
  1. A Credit History containing the following information will render the application unacceptable:



- a) Unlawful detainers;
  - b) Unpaid balance due a prior landlord;
  - c) Staff will double check the Credit History with the landlord references and application to be sure that the applicant reported all of the address where s/he has lived and any other information that should be the same. If the information is not the same, Staff will ask the applicant about the discrepancies. If there is no acceptable explanation and it is clear that the applicant falsified information on the application, the applicant will be rejected / crossed out from the Waiting List and a letter will be sent to the applicant.
2. A household member involved in drug-related criminal activity will not be admitted.
  3. A household member convicted of drug-related criminal activity for manufacture or production of methamphetamine on the premises of federally assisted housing will not be admitted under any circumstances.
  4. A household member currently engaged in use of a drug or if the owner has reasonable cause to believe that a household member's illegal use of a drug or pattern of illegal use may interfere with the health, safety, or right to peaceful enjoyment of the premises by other residents will not be admitted.
  5. A household member who is subject to lifetime registration requirement under a State sex offender registration program will not be admitted under any circumstances. Staff will check the names of all adults applying for housing through the sex offender registry in each state where each adult has lived.
  6. A household member's abuse or pattern of abuse of alcohol interferes with the health, safety, or peaceful enjoyment of the premises by other residents will not be admitted.
  7. A household member who has been involved in the following:
    - a) Drug related criminal activity or violent criminal activity will not be admitted;
    - b) Other criminal activity that would threaten the health safety or right to peaceful enjoyment of the premises by other residents, owner, any employee, contractor, subcontractor or agent or owner who is involved in the housing operations will not be.
  8. CCDC requires a household to exclude an offending family member that has committed acts that would result in denial of admission to the housing program or to continue to reside in the assisted unit.
- B. An applicant's misrepresentation of any information related to eligibility, allowances, household composition or rent.
1. If, during the course of processing an application, it becomes evident that an applicant has falsified or otherwise misrepresented any facts about his/her current

situation, history, or behavior in a manner that would affect eligibility, applicant selection criteria qualification, allowances or rent, the application shall be rejected for attempted fraud.

2. This provision shall not be applied to minor mistakes in fact that produce no benefit to the applicant.

C. Certain key questions relating to the applicant's eligibility and resident history will be asked as a part of the application form such as the Social Security numbers of all household members and the name, address and telephone numbers of either current and former landlords or the housing provider with whom they are currently living. Failure to provide this information will result in cessation of application processing. Staff will assist applicants, as needed, in understanding the application process and completing the forms.

XV. Obtaining Applicant Releases

When applicants are initially interviewed, all adult household members will be required to execute the following releases, at a minimum:

- A. At least 2 copies of the Housing Reference Form for the current and former landlords from the past three years, plus others as needed.
- B. By signing the application, the applicant is authorizing Staff to obtain these reports.

XVI. Qualifying for Admission

- A. The head-of-household must be **18** years or older or a minor under the age of 18 who has been emancipated to act on his/her own behalf, including the ability to execute a contract or lease;
- B. The household must have an Annual Income at or below program income limits, which are:

**2007 Approved Maximum Income Limits for San Francisco County  
Based on Family Size**

AMI	1	2	3	4	5	6	7
20%	\$15,840	\$18,100	\$20,360	\$22,620	\$24,420	\$26,240	\$28,040
50%	\$39,600	\$45,250	\$50,900	\$56,550	\$61,050	\$65,600	\$70,100

C. The household must meet minimum and maximum occupancy requirements:

<u>APARTMENT SIZE</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>
Studio	1	1
2 bedroom	2	6
3 bedroom	4	8

D. The household must meet the criteria set forth in this Resident Selection Policy.

**EXHIBIT D**

**Projected Housing Project Lease Up Process and Unit Placements**

<b>Former Unit at Chinatown Property</b>	<b># of tenants</b>	<b>Tenancy Make-Up (Jan 2011)</b>	<b>Unit size at Broadway/Sansome</b>	<b>Current Assumed 30% income</b>	<b>Assumed Bsan Rent</b>	<b>Assumed Initial MTA Monthly Subsidy</b>
No. 1	4	couple, 2 sons (4, 2)	2 (desires 3 br)	\$750	\$682	\$0
No. 2	4	couple, 1 dtr (6), 1 son (2)	2	\$450	\$682	\$232
No. 3A	3	couple, 1 son (24)	2	\$750	\$682	\$0
No. 3B	4	couple, 1 son (24), 1 dtr (6)	3	\$425	\$787	\$362
No. 4	1	elderly lady (95)	1	\$240	\$567	\$327
No. 7A	4	elderly (81), 1 dtr (51), 1 son (49) 1 grand dtr (18)	2*	\$575	\$787	\$212
No. 8	4	couple, 2 sons (23, 21)	3	\$645	\$787	\$142
No. 9A	3	couple, 1 son (17)	2	\$750	\$682	\$0
No. 9B	2	elderly couple (61, 69)	1	\$564	\$567	\$3
No. 10	2	elderly couple (84,75)	1	\$480	\$567	\$87
No. 11	4	couple, 1 son (11), 1 dtr (9)	3	\$420	\$787	\$367
No. 14	5	couple, 2 sons (24, 10), 1 dtr (19)	3	\$660	\$787	\$127
No. 16	2	elderly couple (75, 71)	1	\$390	\$567	\$177
No. 17	1	elderly lady (70)	1	\$254	\$567	\$313
<i>Note 1: unit size changes</i>	Note 2: 5 of the 19 Displaced Households in the 18 Dwelling units purchased homes in San Francisco					

**ANTICIPATED LEASE UP SCHEDULE**

- 4/1/14: Initial rent up notices delivered to Displaced Households
- 5/1/14: Interviews with interested Displaced Households for income verification process
- 6/15/14: Displaced Households notified of eligibility status to rent unit
- 6/15/14: Notice to SFMTA of verified income levels for Displaced Households moving to Project and required rental subsidy for first lease year
- 1/15/15: Move in date for eligible Displaced Tenants