

Mayor's Office of Housing and Community Development
City and County of San Francisco



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MIDTOWN PARK APARTMENTS
Revised RENT MODIFICATION PROGRAM GUIDE
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Midtown Park Apartments Hotline: (415) 701-5591

INTRODUCTION AND PROGRAM RATIONALE:

Midtown Park Apartments is a 139-unit residential development that has historically been designated for low and moderate income households. The development is owned by the City and County of San Francisco, under the jurisdiction of the Mayor's Office of Housing and Community Development ("MOHCD") and is currently leased to Mercy Midtown Inc., a non-profit entity governed by Mercy Housing California.

Over the last 10 years, Midtown has not been able to cover the ordinary costs of operations (including things such as security, insurance, and utilities) because rents have stayed very low over the long term. In addition, there has been insufficient rental income to pay the regular costs of maintenance and building upkeep. Midtown now faces extreme property disrepair.

To protect residents' health and safety, Midtown must take steps to stabilize its operating budget and repair or replace its deteriorating physical conditions.

One of the steps it must take is to adjust overall rental income, which is extremely low, to a level that is higher but still affordable to the current residents. This modification is essential to keep Midtown operating, but it also must and will be done in a fair and reasonable manner.

To achieve this, MOHCD created the Midtown Rent Modification Program (RMP) in 2014. The RMP is a critical first step toward making Midtown financially self-sufficient. The RMP is designed to reduce the gap in Midtown's operating budget as much as possible without over-burdening its residents.

Even with the rent increases under the RMP, Midtown continues to need ongoing assistance from the City to pay all of its operating and maintenance costs. But Midtown residents cannot rely on other San Franciscans to help pay their housing costs indefinitely, particularly if some Midtown residents are paying far less than what is affordable to them. For the time being, however, the City is committed to providing Midtown with additional operating subsidies on an emergency basis until Midtown's operating budget is fully stabilized. Below is a timeline of the development of the RMP:

- MOHCD issued the original RMP on June 4, 2014. After hearing from residents, on March 23, 2015, revisions were made to the program to eliminate the cost increase adjustment and discontinue 4-year phasing so that increases would be phased in over 3 or 5 years.
- On July 13, 2015, the program was changed again to allow all households 5-year phasing of increases.
- On October 19, 2015, the RMP was further revised to allow interim income certification for households with income reductions, and to permit previously uncertified households to certify and participate in the RMP.

- The September 2016 revised RMP Guide includes all of the prior revisions plus new changes residents have requested including:
 - Extending the RMP for the life of the eligible household's lease; and
 - Implementing a self-certification process for households where there has been limited change to household income.
- April 2017 - Health deduction added to RMP.

RENT MODIFICATION PROGRAM (RMP) GOALS:

The goals of the RMP are to:

- Keep current residents in their homes;
- Keep Midtown rents affordable;
- Make rent adjustments in a fair and reasonable manner; and
- Provide enough rental income for Midtown to stabilize operations.

Rents Under the RMP: Rents will be based on 30% of the household's pre-tax or "gross" income.

Long-term 30% of Income Pledge: A resident who was living in a Midtown unit on January 31, 2014, and who has lived in a Midtown unit continuously since then, and is income certified, is defined as a Qualified Resident(s). Qualified Residents are eligible to pay 30% of their household's income for rent, for as long as they reside at Midtown and meet Affidavit requirements that are described below.

Affidavit Requirements: Qualified Resident households will be issued an Affidavit ("Long-term Affidavit") listing all eligible household member's names. Each Long-term Affidavit will expire when all residents listed on the Affidavit no longer occupy the unit. Below are additional rules governing the issuance and applicability of a Long-term Affidavit:

1. Household must have completed an initial full income certification;
2. Households must income certify annually either by self-certification or full income certification;
3. Rent must be current and, if there is a balance owed, the household must be on a payment plan;
4. Midtown unit must be the primary residence; and
5. Affidavits are not transferable.

Residents Ineligible for RMP:

Residents who do not meet Affidavit Requirements listed above may still live at Midtown.

RMP ANNUAL PROCESS:

Income Certifications and Self-Certifications: In order to participate in the RMP everyone in the household must be initially income certified by Mercy Housing Management Group (“Management Agent”). Most initial full certifications occurred in 2014.

After the initial certification is completed by the Management Agent, an Income Certification Confirmation Form (ICCF) is generated showing household information including a listing of household members, individual and total household income, the 30% of household income amount, the rent amount due for the year, and an ***estimate*** of future rent payments. The estimates of future rent payments are listed by year and are the amounts residents will be expected to pay each year, assuming there is no change in the original income certification.

If the household has received an ICCF **and** there are no changes to household composition or income, residents will follow these steps each year:

April 1 - Household will complete the self-certification documents and submit to the Management Agent.

May 1 – The Management Agent will mail to household a confirmation of the rent amount the household will pay, along with a copy of the lease and house rules that will be effective beginning September 1.

June 1 – The Management Agent will begin lease signings with households.

September 1 - New rents are effective.

If the household has not received an ICCF **or** there are changes to household composition or income, the resident must make an appointment with the Management Agent, so that a full certification can be completed by staff. After the Management Agent certifies all household members, an ICCF will be generated and beginning with the following year, the household will be able to self-certify, provided there are no changes to household composition or income.

Rent Change Phasing: All certified households will have rent increases phased over 6 years.

Stabilization Period: The Stabilization Period is defined as January 31, 2014, to the date newly constructed units are placed in service.

Back Rent Owed: All households owing back rent must contact the Management Agent to set up a repayment plan. Residents will have the option of repaying back rent in one lump sum, or setting up a monthly repayment plan to pay the outstanding balance over a number of years. The number of years required to

repay the back rent will differ by household and can only be determined after the Management Agent reviews the household's information. Once there is a plan to pay back rent, and the household begins making regular monthly rent payments, a Long-term Affidavit can be issued.

Primary Residence Requirement: There are a number of residents who own multiple residences and currently live at Midtown.

For households where Midtown is the primary residence and another home provides rental income, the Management Agent will use the HUD standard for calculating gross rental income so that the calculated gross rental income amount is added as additional income.

Medical Deduction:

Key highlights of the deduction:

- Permitted for households where the head, spouse or co-head is 62 years old or disabled.
- Applies to unreimbursed medical expenses.
- Unreimbursed medical expenses are those items that you pay for but are not reimbursed by insurance.
- The medical expense deduction is that portion of the total medical expenses that exceeds 3% of annual income.
- Partial list of unreimbursed items that can be included in the medical expense deduction:
 - Services of doctors and health care professionals
 - Services of Health care facilities
 - Medical insurance premiums or costs of an HMO
 - Prescription/nonprescription medicines that have been prescribed by a physician
 - Transportation to treatment
 - Dental expenses
 - Eyeglasses, hearing aids, batteries
 - Live-in or periodic medical assistance such as nursing services, or costs for an assistance animal and its upkeep
 - Monthly payments on accumulated medical bills
 - Medical care of a permanently institutionalized family member if his or her income is included in annual income
 - Long-term care insurance premiums. The family member paying a long-term care insurance premium must sign a certification that states the insurance is guaranteed renewable, does not provide a cash surrender value, will not cover expenses covered under Medicare, and restricts the use of refunds. The certification must be maintained in the family's occupancy files.

- Other rules apply¹, please talk to the property manager about how the deduction will work for your household.

Interim Certification: Interim certifications may be completed for household members who have experienced an increase or decrease in their income by \$200 or more, as a result of one of the following changes:

- a. Wages to long-term disability/social security/pension/retirement
 - b. Long-term disability to social security/pension/retirement
 - c. Wages to unemployment
 - d. Household member vacates the unit
 - e. A new member is added to the household
- In order to complete an interim certification, households will need to make an appointment with the Management Agent.
 - The new rent will be calculated and the household will receive an ICCF.
 - The new rent calculated will be effective the first of the month following the household's receipt of the ICCF.

RMP Eligibility and Income Certification/Self-Certification: The RMP is available to all households that currently reside at Midtown and complete the income certification process initially and self-certification annually thereafter.

Initial income certifications are full certifications conducted by the Management Agent staff and involve all household members attending an interview and providing income and asset documentation along with any other documents that may be requested, to the staff. Usually, full income certifications are done annually. However, because most households were fully certified in 2014/2015 and an estimate of future rent amounts was given to households, a quicker, easier process for households is to self-certify.

Self-certification involves the household completing a one-page form that asks for confirmation that the income and asset information previously submitted for the full income certification is still accurate. If any of the information has changed by \$200 or more, the household must make an appointment to complete a full income certification with staff.

The Management Agent is relying on residents to provide accurate factual information on the self-certification forms. Failure to complete either the self-certification or full income certification, could result in the household's rent being reset to market rate on September 1 of the year in which the household does not certify. The market rate rent will be determined by a rent study provided by a 3rd party consultant.

¹ HUD Occupancy Handbook 4350.3 Rev-1

Certification Appeal Process: Residents can now appeal to MOHCD if they believe there are computation errors and the Management Agent is unresponsive in resolving the errors. To make an appeal, residents should send an email to the Director of Housing Development at MOHCD, Mara Blitzer: at Mara.Blitzer@sfgov.org. Staff will respond to requests within 10 business days.

How Income is Calculated: Residents are required to complete a **TIC Questionnaire**. This questionnaire provides management with information in order to ensure income received from all sources is included. Residents will also provide the Management Agent with the name and address of income sources and the Management Agent will request verification directly from the source of income named in the questionnaire. To complete the certification process the resident signs the 3rd party verification forms providing consent for the 3rd party to release income information requested.

An **Under \$5,000 Asset Certification** form is required to be completed. If the assets are greater than \$5000 the resident must provide current information from sources as outlined below. If the tenant reports assets to be under \$5,000.00 income sources do not need to be verified.

Types of Assets include any items of value that may be turned into cash for example...

Cash	Life insurance – Cash Only
Revocable Trusts	Personal Property for investment
Equity in real estate	Lump sum receipts (winning the lottery)
Securities	Mortgage or Deed of Trust
IRA and Keogh accounts	Retirement and Pension Funds

Once assets are verified their cash value is determined by the value of:

Savings Accounts:	Current Balance
Checking Accounts:	6 month Average balance
Other Assets:	Market value of asset minus cost to convert to cash.

Once asset verifications are received calculations are made and the greater amount of either imputed income² calculation or actual income calculation from assets earned is determined as part of the resident's **Annual Income**.

Rents will be based on 30% of the household's pre-tax or "gross" income. Income information for all household members must be included in the annual self-certification documentation for the household to participate in the RMP and be considered eligible for its benefits.

² A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called imputed income from assets. The passbook rate is currently set at .06%

Student Income: Under specific circumstances detailed below, only \$480 of a student's income will be counted toward household income. To be eligible to have only \$480 counted as the student's income the following conditions must be met:

1. Students cannot be listed as head, co-head or spouse of head of household;
2. Student's full-time status must be 3rd party verified by school; and
3. Student's wages must be 3rd party verified

RMP Minimum Payment: Residents experiencing a loss of income will be aided by resident services in obtaining unemployment, disability and or general assistance, where eligible. Once benefits are secured, the household will pay 30% of total amount awarded monthly.

Steps to Adding Household Members to Lease:

1. Resident must be in Good Standing³
2. Submit a written request to the Management Agent
3. Complete the application packet and paperwork
4. Complete interim certification to reflect new household total income
5. Sign new lease with added member

Removing Household Members from Lease:

1. Departing resident submits a 30-day notice to vacate to Management Agent.
2. Management Agent will complete Interim Certification to reflect new household income and rent based on remaining household members.

Change in Rent if no Qualified Resident residing in Unit: Only residents who were living in a Midtown unit on January 31, 2014, and who have lived in a Midtown unit continuously since then, and are income certified, are defined as Qualified Residents. Qualified Residents are eligible to pay 30% of their household's income for rent, for as long as they reside at Midtown and meet Affidavit requirements. If no member of the household is a Qualified Resident, that household is no longer eligible for long-term 30% of household income as a rent payment beginning at the end of the Stabilization Period.

Notifications to the Management Agent: It is the resident's responsibility to notify the Management Agent of any changes in the household composition including a resident's departure from the unit, or death, or any other changes such as adding household members.

³ Good Standing means a household is current with rent payments and complies with all the terms of their lease.

Frequently Asked Questions (FAQs)

1. What happens if I don't self-certify?

- a. If a household/resident does not certify by the deadline, either through self-certification or a full re-certification, a market rate rent will be assessed for the unit. The market rate rent will be determined by a rent study provided by a 3rd party consultant.

2. Can I add someone to my lease and still pay 30% of income for rent?

- a. Yes. All residents will need to be initially income certified by Management Agent and total household income will be used to calculate the 30% rent.

3. If I want to move and leave my roommate in the unit and my roommate was NOT here on January 31, 2014 will she pay 30% of income for rent?

- a. During the Stabilization Period, all households will pay 30% of household income for rent. After the Stabilization Period, only Qualified Residents will pay 30% of income for rent and all other renters will pay rent assigned based on the funding sources used to finance the rehabilitation/new construction.

4. My roommate and I have decided to get separate units when the new units are available. Since we were both here on January 31, 2014 won't we both be able to pay 30% of income for rent?

- a. The 30% of income for rent is only available to the household members as a whole, on the unit all the members occupy. If the household splits, the 30% will be applied to the original unit and if additional units are requested residents will apply for them through the lottery.

5. Can I pass my Affidavit to my children?

- a. Affidavits will be issued to only the household members living in the unit on January 31, 2014. If your children were living in the unit and were included in the income certification process, their name(s) will be listed on the Affidavit.

6. I've been living here for over 20 years. If my granddaughter moves in to take care of me and I die, can she stay and pay 30% for rent?

- a. If your granddaughter was not living here on January 31, 2014 she is not considered a Qualified Resident and is not eligible to pay 30% for rent after the Stabilization Period. She will be allowed to stay in the unit however, her rent will be adjusted and governed by the funding sources used to finance the rehabilitation/new construction.

7. My husband and I have lived here for 10 years, if we get a divorce who gets the Affidavit?

- a. Whichever party is named on the Affidavit and remains in the unit will continue to pay 30% for rent.