

San Francisco

Local Operating Subsidy Program (LOSP)

Policies and Procedures Manual *Revised August 2, 2024*



LOSP Policies and Procedures Manual

Table of Contents

SECTION 1 - PROGRAM SUMMARY	4
SECTION 2 - APPLICATION FOR LOSP SUBSIDY	6
2.1 Background	6
2.2 Sizing the LOSP Request	6
2.3 LOSP Program Transition Reserve	7
2.4 Steps to Secure and Maintain a LOSP Grant Agreement	8
A. Request for Approval	8
B. Loan Committee Review and Approval of Grant Agreement	9
C. Ongoing Grant Agreement Budget Appropriations	9
D. Annual Reporting	10
E. Annual LOSP Grant Agreement Disbursements	10
F. LOSP Deficits / Requesting Budget Revisions	11
2.5 LOSP Contracting after Initial Contract Term Expires	13
SECTION 3 - TARGET POPULATIONS, TENANT REFERRALS, SUPPORT SERVICES AND ELIGIBILITY	14
3.1 Target Populations	14
3.2 HSH Referral Process	15
3.3 Homeless Services Plan and Services Contract Approval	17
3.4 Steps for Services Plan and Contract Approval	17
A. Preliminary Services Plan and Budget at application for capital financing	17
B. Comprehensive Services Plan and Budget prior to Gap Request	17
C. Final Services Plan	17
D. Services Contract	18
3.5 Marketing Plan and Tenant Selection Criteria	18
SECTION 4 - LOSP IN PROGRAM OPERATIONS	20
4.1 Protecting the Privacy of Clients	20
4.2 Lease Addendums	21

4.3 Tenant Income Recertification	21
A. Recertification Notice	21
B. Housing Provider Outreach With Recertification Notice	22
C. Follow Up If Tenant Does Not Respond	22
D. Interim Recertification When Needed	22
4.4 Security Deposits	23
4.5 Maximum Incomes and Calculation of Tenant Rents	23
4.6 Overview of Housing Transfers	23
4.7 LOSP Subsidy Termination	24
A. Overview of LOSP Subsidy Termination	24
B. Determining Termination of Subsidy	25
C. Issuance of the Notice of Termination of Subsidy	26
D. Hearing Process	27
E. Following the Hearing	28
4.8 MOHCD Compliance Monitoring	28
4.9 Critical Incident Reporting	29
A. Reporting Requirements for MOHCD	29
B. Reporting Requirements for HSH	29
4.10 “Moving On” Exits from Supportive Housing	30
SECTION 5 RESOURCES AND CONTACTS FOR MORE INFORMATION	31
ATTACHMENTS	31
Attachment A:	Operating Proforma, 20 Year Cashflow, Schedule A1A2 and A
Attachment B:	Tier Service Funding Objectives
Attachment C:	LOSP Tenant Selection Criteria Requirements
Attachment D:	LOSP Lease Addendum: Adult
Attachment E:	LOSP Lease Addendum: Family

1. PROGRAM SUMMARY

As part of the City and County of San Francisco's effort to address the needs of people who are experiencing homelessness, the City has prioritized the development of non-profit owned and operated permanent supportive housing for formerly homeless adults and families. While capital financing can be leveraged to build supportive housing for this population, stakeholders realize these units cannot be feasibly operated at the scale needed if they rely solely on insufficient federal or state operating subsidies.

In June 2004, the City launched the multifaceted *Ten-Year Plan to Abolish Chronic Homelessness*; in 2006, the Local Operating Subsidy Program (LOSP) was established to support the creation of permanent supportive housing on a large scale. The operating subsidy leverages capital financing by integrating homeless units into Low Income Housing Tax Credit projects by providing funds to eliminate operating deficits. LOSP was created by the Mayor's Office of Housing and Community Development (MOHCD) in partnership with the Department of Public Health (DPH) and the Human Services Agency (HSA).

Since 2004, other plans and reports have influenced City policy including the Transitional Age Youth Housing Plan (TAY Housing Plan), the Point in Time Count Reports, Local Homeless Coordinating Board reports, and the 5 Year Consolidated Plan (Con Plan) among others. In 2016, the Mayor created the Department of Homelessness and Supportive Housing (HSH) and consolidated permanent supportive housing programs from HSA and DPH under a single department whose mission is to make homelessness in San Francisco rare, brief, and one-time. HSH adopted a five-year Strategic Framework with goals to dramatically reduce chronic homelessness and end family homelessness. That plan, as well as annual updates, can be found at www.hsh.sfgov.org.

Through 15-year grant agreements with MOHCD, which are subject to annual appropriations by the Board of Supervisors, LOSP pays the difference between the cost of operating housing for homeless persons and all other sources of operating revenue for a given project, such as tenant rental payments and other operating subsidies. HSH refers homeless applicants to the housing units through the Coordinated Entry process. Coordinated Entry is the foundation of the Homelessness Response System (HRS) and is designed to assess, prioritize and match people experiencing homelessness to housing opportunities. Coordinated Entry organizes the Homelessness Response System with a common population-specific assessment, a centralized data system, a "by name" database of clients and a prioritization method. Coordinated Entry Access Points are the community gateways into San Francisco's Homelessness Response System and serve: Adults, Families and Transitional Age Youth (TAY). HSH also provides ongoing services funding to the projects through separate grant agreements.

Supportive housing projects are selected for capital funding by the Citywide Affordable Housing Loan Committee (Loan Committee), comprised of Directors and/or senior staff of MOHCD, HSH, the Office of Community Investment and Infrastructure (OCII) and the Controller's Office of Public Finance, pursuant to a competitive Notice of Funding Availability (NOFA) or Request for Proposals (RFP) process. New housing units intended to serve homeless adults, TAY or families are eligible to receive LOSP funds when other operating subsidies (e.g. Continuum of

Care, Mental Health Services Act (MHSA) Housing Program Capitalized Operating Subsidy Reserve (COSR), Section 8/Housing Choice Voucher (HCV), etc.) are not available or are insufficient to fully cover the projected cost of serving the formerly homeless. If LOSP funds are needed, a project-specific operating budget demonstrating annual need over a 15-year period is reviewed by the Loan Committee and a Grant Agreement recommendation is made to the Mayor. LOSP subsidies are awarded subject to funding availability. There is no entitlement to the receipt or continued receipt of a LOSP subsidy.

In 2006 the first permanent supportive housing NOFA was issued, resulting in several single-site, 100% permanent supportive housing projects serving both formerly homeless adults and families under the “Housing First” model.¹ In addition to providing funds for the development of single-site 100% supportive housing projects, the City has established a standard minimum 20% homeless population target for city-financed developments, with specific emphasis on homeless adults, families with minor children, seniors, transitional age youth (TAY) and people with severe mental illness, among others. Fifteen years after the first permanent supportive housing NOFA was issued, LOSP has grown to support over 1,600 supportive housing units, with an additional 1,200 permanent supportive housing units in the pipeline. In FY 2020-21, annual LOSP Grant Agreements total \$12.3 million with additional services funding of \$12 million at 37 housing developments. In 2020-21, LOSP supports operations at around 60% of City-financed supportive housing units created since 2008, and remains a key element of the City’s strategy to address homelessness.

HSH continues to prioritize and match homeless adult San Franciscans with medical or behavioral complexities with an appropriate supportive housing unit based on their level of vulnerability and chronic homeless status. HSH also continues to provide a wide range of services and housing to help homeless adults, veterans, families with minor children, seniors and transitional age youth exit homelessness permanently and reach stability and self-sufficiency.

All of the policies and program rules of LOSP must be consistent with the contractual relationship between the housing provider and the supportive housing tenant, and must comply with fair housing law and other affordable housing financing regulations. Housing providers may integrate LOSP requirements into tenant leases and house rules to ensure that the goals of LOSP can be achieved by utilizing the same enforcement mechanisms that are available in other affordable housing tenancies.

Permanent supportive housing at this scale is only possible through a collaborative partnership between City funding agencies, developers and service partners. This *LOSP Policy and Procedures Manual* outlines the roles and responsibilities of each partner and summarizes the policies and compliance responsibilities that accompany the subsidy.

¹ “Housing First” is an approach to quickly connect homeless individuals and families to permanent supportive housing without preconditions and barriers to entry, such as treatment or service participation requirements.

2. APPLICATION FOR LOSP SUBSIDY

2.1 Background

The availability of a LOSP subsidy for specific homeless populations in a City-funded housing development is identified in the initial Notice of Funding Availability (NOFA) or Request for Proposals (RFP) issued by MOHCD or OCII in collaboration with HSH to signal the availability of City capital funding for the development of new supportive housing units. The capital funding application submission must include a projected annual operating budget and 20-year cash flow in the MOHCD application format, and requires a calculation of the anticipated level of LOSP funding needed to cover the gap in operating costs for the proposed permanent supportive housing units. The project will be underwritten utilizing the City's current Underwriting Guidelines, and will include standard allowances for affordable housing project reserves and fees. In the event another potential operating subsidy becomes available, MOHCD will support the application for that subsidy to reduce the burden on the overall LOSP budget. LOSP is intended to support new permanent supportive housing units only and cannot replace another operating subsidy or get layered onto an existing project.

2.2 Sizing the LOSP Request

Operating costs that can be included in the LOSP budget include the following: (a) all charges incurred in the operation of the project for utilities, any real estate taxes and assessments, and premiums for insurance required under City loan documents or other senior loan documents; (b) salaries, wages and any other compensation due and payable to the employees or agents employed in connection with the project, including all related withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments; (c) required amortizing debt service from public sources such as the State Department of Housing and Community Development (HCD); (d) the asset management fee, partnership management fee and investor services fee described in the Annual Operating Budget or otherwise approved by MOHCD in writing; (e) all other expenses actually incurred to cover the operation of the project to the standards required including maintenance and repairs, and property management fees; (f) required deposits to the Replacement Reserve Account (as defined in the MOHCD Loan Agreement), Operating Reserve Account, and any other reserve account (excluding the Subsidy Reserve Account); and (g) any extraordinary expenses arising from the ownership or operation of the project approved in advance and in writing by MOHCD. Operating costs shall not include payment of deferred developer fee nor any service provision costs.

When a project is successful in obtaining an award of rental subsidy that includes homelessness as an eligibility requirement and also requires City referrals (e.g., HUD CoC housing or Project-Based Vouchers in collaboration with the San Francisco Housing Authority), for purposes of determining the LOSP subsidy, the revenue from the rental subsidy(ies) will be included with revenue from the LOSP subsidy to offset projected operating costs for all units that are required to serve tenants that satisfy the homelessness eligibility requirement.

For projects where less than 100% of the units are LOSP units or are units funded by another operating subsidy that includes homelessness as an eligibility requirement, the LOSP funding is intended to cover only the portion of the shortfall that is associated with the homeless-serving units. The budget template allows the operating budget data for LOSP and non-LOSP units to be

seen in separate columns. For most budget line items, LOSP units are assigned a prorated share of the total project operating cost. There are some line items where alternative portions may be proposed subject to MOHCD staff approval.

Assumed tenant rents should be estimated with feedback from HSH and MOHCD based on the target population's estimated income and comparable projects.

LOSP units may not carry debt except for minimal mandatory annual interest payments for below market rate State financing covered by the Universal Multifamily Regulations (such as MHP, AHSC, and No Place Like Home (NPLH)). Any mortgage on the project, whether from the City or a commercial lender, must be carried by the other/non-LOSP units.

The following underwriting guidelines apply to all housing funded by MOHCD including LOSP: (see the MOHCD website for a [complete list](#))

Capital:

- Supportive housing unit furnishings are calculated at \$2,500 per unit for SROs or studios and \$1,500 per bedroom for other units as well as \$650 permitted per homeless unit for start-up soft goods such as kitchen equipment. Common area furnishings are permitted for new construction up to \$2,000 per unit.
- Capitalized rent or transition reserve for LOSP units is not permitted due to the LOSP Program Transition Reserve (see Section 2.3 on page 8).

Operating:

- Five (5%) vacancy allowance is calculated off tenant rent given there is a direct applicant referral source (which will become the Coordinated Entry System) for vacant units and LOSP subsidy is funded for vacant units.
- For commercial space revenue, please refer to the current MOHCD Commercial Space Underwriting Guidelines.
- Estimated project income is based on tenant gross rent contributions at 30% of household income. The tenant gross rent payment standard for a particular project will be specified by staff from HSH, MOHCD and OCII.
- For projects that have been selected via NOFA or RFP, that document will identify initial underwriting assumptions for tenant rents, which typically have been \$225-\$300 per LOSP unit. This initial assumption will be updated with feedback from HSH, MOHCD and OCII prior to the LOSP request based on referral population.
- The operating budget can fund replacement furniture, start-up soft goods and appliances upon turnover as needed for LOSP and other permanent supportive housing units.

Supportive services for LOSP units are an integral part of the permanent supportive housing model, and the provision of which are a threshold requirement of the LOSP Grant Agreement. Supportive services for LOSP units *are funded through a separate services agreement with HSH*, and, therefore supportive services for the homeless units should not be included in the operating budget. In a mixed population building that includes non-supportive housing units, a 1 FTE resident services staff position may be included in the operating budget to support the non-LOSP tenants if financially feasible and supported by cashflow from the non-LOSP units.

2.3 LOSP Program Transition Reserve

Certain State and private sources of capital financing for housing for homeless persons routinely require an additional operating reserve account to prepare for the possibility that on-going

operating subsidies are discontinued. This “transition reserve” provides time (typically up to two years) for tenants to be relocated to another supportive housing setting and for a gradual reduction in the number of such households being served at that location as the building moves toward serving residents who can pay sufficient rent to operate the building.

Under LOSP, MOHCD has established, holds and annually funds a LOSP Program Transition Reserve as a backup payment source in the event LOSP Grant Agreement funds are not appropriated in any given year. Every year the amount of the LOSP Program Transition Reserve is sized at 10% of the total annual LOSP Contract encumbrance in order to cover 5% of the units over a two-year transition period. If sufficient funds are not appropriated by the Board of Supervisors in a given year, the City would use the Program Transition Reserve to disburse subsidy payments and request a transition plan from the sponsor which may include relocation of permanent supportive housing tenants to other supportive housing projects over the transition period. This plan would allow for rent increases at the project to enable the sum of rental revenue plus amounts received from the Program Transition Reserve to equal operating costs during the transition period, and would allow the sponsor to lease units to tenants other than LOSP eligible households. Priority for access to the Program Transition Reserve will be given to projects with capital from HCD programs that are governed by the Uniform Multifamily Regulations (UMRs).

Developers of projects that have received capital from HCD that are monitored by the UMRs (including Multifamily Housing Program (MHP), Transit Oriented Development (TOD), Infrastructure Investment Grants (IIG), Affordable Housing and Sustainable Communities (AHSC), Veterans Housing and Homelessness Prevention Program (VHHP), and No Place Like Home (NPLH)) should carefully check UMR requirements regarding a transition reserve and subsidy renewals.²

2.4 Steps to Secure and Maintain a LOSP Grant Agreement

- A. Request for Approval: Once a project has been recommended for capital funding through a NOFA or RFP process, the developer must make a LOSP request to the Loan Committee. A LOSP Grant Agreement Evaluation is prepared by MOHCD or OCII staff. The proposed Annual Operating Budget must be submitted using the MOHCD proforma template (see **Attachment A** and link [here](#)). Detailed instructions are provided in the workbook. The LOSP serves as a “gap-filling” subsidy: sponsors provide estimates of projected revenue and projected operating costs and LOSP funding is made available to fill the projected annual operating budget shortfalls.

MOHCD and the Mayor’s Office of Public Finance prepare long-term LOSP budget projections based on permanent supportive housing units in the citywide affordable

² Note that for some deals which closed their permanent financing with HCD in 2016, HCD required that the projects must obtain a new LOSP contract approval *two years prior to contract expiration* or HCD would require that the sponsor stop renting to new LOSP eligible tenants and send notification letters one year prior to contract expiration. On State financed deals with this requirement, MOHCD staff will endeavor to secure a new LOSP Contract Commitment two years prior to contract expiration to avoid disruption.

housing pipeline. Based on these budget projections, MOHCD can provide a “LOSP budget commitment letter” to assist the developer in their financing applications for other funding such as tax credits, state financing and AHP. In the event another project-based operating or rental subsidy becomes available, such as federal Continuum of Care (CoC) Shelter + Care subsidies, the developer is expected to work with the City to secure the alternate subsidy. In some cases, with a LOSP commitment as a backup, the developer is able to secure state and federal financing as well as a tax credit award at an earlier stage of the project before an award of another subsidy.

- B. Loan Committee Review and Approval of Grant Agreement: The assigned MOHCD or OCII Project Manager will underwrite the LOSP Grant Agreement request and present it to Loan Committee through a LOSP Grant Agreement Evaluation. The LOSP Grant Agreement Evaluation will closely analyze the proposed operating budget and 20-year cashflow, compare the budget to similar projects, evaluate property management staffing, operating expenses, and underwrite the projected initial 15-year LOSP Grant Agreement period. The City relies on sponsors to submit projections using operating cost data from comparable supportive housing projects and expects prudent management standards and practices appropriate to the project’s supportive housing model. The size of the estimated subsidy will be based on conservative assumptions with respect to income and expense trending over time and will include standard allowances for appropriate reserves and fees, such as asset and partnership management fees.

The standard LOSP Grant Agreement includes references to the City’s capital financing, outlines service provision requirements which are funded separately by HSH, identifies the household’s gross rent payment standard, specifies the underlying regulated contract rents for the LOSP units which may not be exceeded by the gross rent payment standard, provides the approved operating budget, 15-year cashflow and the projected annual subsidy payment schedule.

- C. Ongoing Grant Agreement Budget Appropriations: The 15-year Grant Agreement is subject to annual budget appropriations by the Board of Supervisors. MOHCD's obligation to make subsidy payments is expressly conditioned on the (a) appropriation of sufficient funds to HSH for subsidy payments and transfer of such funds to MOHCD, which is subject to HSH’s annual operating budget, or (b) appropriation of sufficient funds for subsidy payments to MOHCD's annual operating budget. If the annual funds appropriation for the program subsidy payments in a fiscal year are insufficient to fund the total program, MOHCD shall have the right to reduce the amount of subsidy payments. In that case, projects that are financed by HCD would be prioritized for LOSP funding. If MOHCD determines that subsidy payments for any given fiscal year must be reduced due to a shortfall in appropriated program funds (a “Non-Appropriation Event” as defined in the LOSP Grant Agreement), MOHCD shall notify grantees that a Non-Appropriation Event has occurred and will work with the Grantee to create a transition plan for the project. HSH and MOHCD's annual operating budgets are

each subject to the discretion of the City's Mayor and Board of Supervisors. It should be noted, however, that there has never been a reduction to the LOSP portfolio budget even during times of recession, underscoring how highly this investment in permanent supportive housing is valued.

- D. Annual Reporting: Project sponsors must submit the Annual Monitoring Report (“AMR”) as required by the Loan Agreement and the LOSP Grant, as further described in section 4.8 . The AMR is used to calculate whether the LOSP portion of the operating budget generated any LOSP Surplus during the business year reported in the AMR. As required under the LOSP Grant Agreements, any annual LOSP surplus must be deposited in the LOSP Subsidy Reserve Account (“LOSP Reserve”) that is required for every LOSP project.

Through the RY2019 reporting period, MOHCD reduced the subsequent LOSP disbursement by the amount of LOSP Surplus that has been calculated by the AMR. Beginning with the RY2020 AMRs, MOHCD changed how LOSP year-end surpluses/deficits are managed. The following describes the revised protocols:

- 1) Purposes: encourage grantee self-sufficiency, improve procedural efficiencies for all.
 - 2) Protocols:
 - a. MOHCD will confirm the amount of the LOSP surplus or LOSP deficit as a final step in the AMR Review.
 - b. LOSP Grantees must use the LOSP Reserve to hold any LOSP surpluses.
 - c. LOSP Grantees should use the LOSP Reserve as a source to cover LOSP deficits incurred after RY2020.
 - d. LOSP Reserve transactions must be consistent with the calculation of LOSP surplus or deficit as reflected on AMRs approved by MOHCD.
 - e. If a LOSP Reserve account funded with LOSP Surplus has available remaining balance at the time when LOSP Grant renewal underwriting occurs, the remaining balance will be used to fund the next contract, unless other more urgent project needs are evident (e.g. underfunded Replacement Reserve).
- E. Annual LOSP Grant Agreement Disbursements: Disbursements of LOSP payments are made according to the Project Annual Subsidy Payments Exhibit attached to the LOSP Grant Agreement (Form A1-A2 or Form A).

There are two schedules for AMR submission and LOSP disbursement that may apply to a LOSP-funded project:

- 1) “Schedule A Only” Projects: in 2017, MOHCD revised the LOSP disbursement system. All new LOSP projects will use this revised disbursement system, and, as of early 2022, all existing LOSP projects that use a calendar business year have been transitioned into this system. A sample annual schedule for these Grant Agreements is shown below:
 - a. AMR reporting period: 1/1/2017 - 12/31/17
 - b. AMR due date: 5/31/18

- c. Target for next LOSP Disbursement Date: Start Dec 2017, complete by January 31, 2018.
 - d. Period covered by the next LOSP Disbursement: 1/1/18 – 12/31/18
- 2) “Schedule A1-A2” Projects – Fiscal Year (i.e., projects that use something other than 1/1 through 12/31 for the business year): A sample annual schedule for these Grant Agreement s is shown below:
- a. AMR reporting period: 7/1/2015 - 6/30/16
 - b. AMR due date: 11/30/16
 - c. Target for next LOSP Disbursement Date: Start July 2017, complete by September 30, 2017.
 - d. Period covered by the next LOSP Disbursement: 7/1/17 – 6/30/18

F. LOSP Deficits / Requesting Budget Revisions:

- 1) LOSP Deficits: The City expects LOSP Grantees to maximize revenue and contain costs. The City bears no responsibility to reimburse grantees for any LOSP deficits. The following sources are available to mitigate LOSP Deficits:
- a. The project’s LOSP Reserve (if funds are available as a result of LOSP surplus from RY2020 or later)
 - b. The project’s Operating Reserve (*)

*In most cases, MOHCD and other funders require the replenishment of Operating Reserves if the balance falls below the required minimum. The Grantee project and/or its affiliated parent organizations are responsible to fund the replenishment of Operating Reserves, regardless of whether a LOSP Deficit was the cause for the need to replenish an Operating Reserve.

- 2) Budget Increase Requests: Projects may request a LOSP Budget Increase when updated projections reveal an expected annual deficit in a future budget year per the schedule below:

Size of LOSP Budget	Minimum Deficit Threshold Amount
<= to \$50,000	\$10,000
\$50,000-150,000	\$20,000
\$150,000-300,000	\$50,000
\$300,000-600,000	\$80,000
>= \$600,000	20% of LOSP Budget

- a. How to Request a LOSP Budget Increase: LOSP Grantees must communicate with MOHCD in writing to initiate LOSP Budget Increase.
- b. Timeline: LOSP Budget Increase requests are subject to a strict timeline, driven primarily by the City’s budgeting cycle. This timeline was revised in 2024:

CY

Step	Deadline
1. Grantee submits alert that budget increase is needed with an estimate of how much	9/1/2024
2. Grantee submits budget workbook showing proposed increases	12/1/2024
<i>3. Grantees for CY projects submit draft of the preceding year AMR ws2</i>	<i>3/1/2025</i>
4. Grantees for CY projects submit preceding year AMR by due date	5/31/2025
5. MOHCD decides about LOSP Increase request	7/1/2025
6. MOHCD disburses the LOSP subsidy for the next Biz Year	1/1/2026

FY

Step	Deadline
1. Grantee submits alert that budget increase is needed with an estimate of how much	9/1/2024
2. Grantee for FY project submits preceding year AMR by due date	11/30/2024
3. Grantee submits budget workbook showing proposed increases	12/1/2024
4. MOHCD decides about LOSP Increase request	7/1/2025
5. MOHCD disburses the LOSP subsidy for the next Biz Year	8/1/2025

- c. Please note that a **new requirement** was added when the timeline was updated in 2024: **CY projects must submit the prior year AMR worksheet 2 (fiscal) by 3/1**; since this is three months prior to the AMR deadline, a draft version will be acceptable for 3/1.
- d. **Complete AMR submissions** must be on-time for both FY and CY projects for a LOSP Budget Increase Request to move ahead for approval. This is a strict deadline; failure to conform will result in the LOSP Increase being pushed ahead by a full calendar year.

- e. If Loan Committee approval is deemed to be necessary, MOHCD may need an additional 10-12 weeks to formalize the approval.
- f. Analysis of the requested budget increase will require detailed assessment of variance of actuals compared to the approved budget. The City can only approve Budget Increase Requests when a LOSP Grantee is able to provide compelling explanations of the causes of variance and demonstrate that it exercised adequate efforts to operate within the confines of the approved budget.
- g. Below-the-line fees: Budget Increase Requests are prohibited from including any increases to the amounts originally approved for the payment of below-the-line fees.
- h. Deferred Developer Fees: In extremely rare instances LOSP Grantees were approved to use the LOSP portion of the budget to pay Deferred Developer Fee. If these LOSP Grantees encounter LOSP deficits that prevent the full payment of Deferred Developer Fee per the approved budget, the LOSP Grantees can request the approval of additional funding to cover unpaid Deferred Developer Fee at the end of the LOSP Grant Term, during the underwriting efforts done to renew the LOSP contract.
- i. Other Expenses / Income shortfalls: any portion of a Budget Increase Request will be rejected at MOHCDs discretion if it fails to be supported by compelling reasons why actual expenses are greater than original projections or why actual income is less than original projections.

2.5 LOSP Contracting after Initial Contract Term Expires

LOSP Grant Agreements prohibit the disbursement of LOSP subsidy payments in excess of the total approved LOSP Grant Amount. LOSP housing providers must initiate a request for a renewed Grant Agreement at least 12 months prior to the end of a LOSP Grant Agreement, and in some cases where there are HCD capital funds governed by the UMR, a full two years before the Grant Agreement end date. Housing providers are urged to review their HCD Regulatory Agreement for the specific terms of their project requirement with respect to renewal. New LOSP Grant Agreements shall be created using the same process that governs the creation of initial LOSP grants.

3. TARGET POPULATIONS, TENANT REFERRALS, SUPPORT SERVICES AND ELIGIBILITY

3.1 Target Populations

LOSP subsidies are provided to permanent supportive housing developments for specific San Francisco homeless populations that have a tailored service program for that population. Unit size, social service delivery space and amenities are designed and programmed accordingly. Target populations include homeless adults, families with minor children, seniors, TAY and people with severe mental illness, among others. The specific tenant selection criteria for these units is also regulated by agreements with capital financing sources, including MOHCD, OCII, HUD, CA TCAC (low income housing tax credits), HCD (UMR regulated programs), and the Federal Home Loan Bank (FHLB) Affordable Housing Program. All populations must be experiencing homelessness in San Francisco and referred and prioritized through the HSH Coordinated Entry System (CES).

Adults – An individual, age 18 or over, living in a household of one or more people without minor children; or an individual under 18 who has been legally emancipated. who are homeless at the time of referral and placement and who meet HSH established eligibility requirements. Specific eligibility criteria include meeting the HSH definition of homelessness (unless funding sources require a different definition), age (see Transition Age Youth and Seniors below), and/or disability (certification of a specific type of disability may be required). With the support of community-based services, applicants must be able to live independently without more intensive services such as those provided in assisted living facilities or skilled nursing. HSH also targets homeless adults with complex medical conditions, mental health diagnoses, and/or serious alcohol and/or substance abuse. HSH provides permanent supportive housing with clinical services on-site for homeless adults who might also frequently utilize multiple care settings without stabilizing. HSH strives to help tenants stabilize, improve their health outcomes and independence in the face of their medical and/or behavioral health conditions.

Families with Minor Children - Includes families with minor children who are homeless or at risk of homelessness. A “family” is defined as one or more adults with physical and legal custody of one or more minor children; or one or more adults in a household which includes a person who is pregnant; or one or more adults with one or more minor children not currently in their custody who are expected to reunify in less than 90 days and who have a letter from Child Protective Services stating that the only barrier to reunification is lack of shelter or housing.

Transition Age Youth (TAY) - Includes an unaccompanied individual between the ages of 18 and 24; or an unaccompanied individual under 18 who has been legally emancipated; or an unaccompanied individual between the ages of 25 and 27 who first entered youth-targeted services in San Francisco when in an age category above; who are homeless or at risk of homelessness.

Seniors – Includes adults 62 years of age or older, or adults 55 years of age or older, who would be homeless without this housing. With the support of community-based resources, they must be able to live independently without more intensive services such as those provided in assisted living facilities or skilled nursing. This population may include senior homeless adult couples (without custody of minor children).

Veterans – Eligible veterans that meet the criteria for VASH are served through that subsidy program, which is administered by the Veterans’ Administration. Homeless individuals and families who have served in the Armed Forces and do not qualify for VASH assistance may be served by LOSP where they meet the eligibility requirements for other homeless populations.

HIV+ Individuals –HIV+ individuals are served in LOSP units where applicants meet the eligibility for other homeless population described above, such as Adults, Families, TAY, or Seniors. In addition, the +Housing Program through the Community Development division of MOHCD offers limited additional housing resources for eligible HIV+ individuals.

Homeless populations with severe mental illness – In 2018, California launched the No Place Like Home (NPLH) program (funded from bond proceeds to be repaid with Mental Health Services Act (MHSA) revenue) to create permanent supportive housing for persons who are living with a severe mental illness (SMI) and are in need of mental health and/or substance use services and are experiencing homelessness, chronic homelessness or are at risk of chronic homelessness. The City and County of San Francisco received an “alternative county” direct award from the California Department of Housing & Community Development to build these units and incorporates this funding directly into San Francisco capital loans made to build supportive housing developments.

Within the boundaries of these target populations, tenant eligibility is defined in the project’s approved *Tenant Selection Criteria* and governed by financing source restrictions. These restrictions may pertain to age, veteran status, Housing Opportunities for Persons with HIV/ AIDS (HOWPA) eligibility, mental health status and disability in addition to homeless criteria. There are multiple definitions of homelessness, and the specific project criteria will be defined in the original NOFA or RFQ and should meet the underlying criteria of HSH for the specific target population (such as Adults, Homeless Families with Minors, Seniors, TAY, etc.).

If there are no more specific homeless criteria that govern a project, such as homeless definitions set forth by California State HCD or HUD Continuum of Care rental assistance, HSH is utilizing the HUD Criteria for Defining Homeless Categories 1 and 4 as well as the State No Place Like Home definition and prioritizing based on chronicity, length of homelessness and vulnerability. See HSH Population Definitions for detailed criteria for HSH program eligibility: https://hsh.sfgov.org/wp-content/uploads/2023/08/HSH-Definitions_FinalDraft.pdf

3.2 HSH Referral Process

All new tenants will be referred by the Department of Homelessness and Supportive Housing (HSH) via the Coordinated Entry System, which organizes the City's Homelessness Response System (HRS) with a common, population-specific assessment, centralized data system, and prioritization method.

Coordinated Entry (CE) is the foundation of the Homelessness Response System (HRS) and is designed to assess, prioritize and match people experiencing homelessness to housing opportunities. CE organizes the Homelessness Response System with a common population-specific assessment, a centralized data system, a "by name" database of clients and a prioritization method. Coordinated Entry Access Points are the community gateways into San Francisco's Homelessness Response System and serve: Adults, Families and Transitional Age Youth (age 18 to 24).

CE Access Points are located throughout the City and are operated by local non-profit service providers. At these community Access Points, eligible individuals and families experiencing homelessness are provided with Problem Solving opportunities and solutions, shelter (for youth and families with children), housing opportunities, and other services in San Francisco. The city operates separate Access Points for adults, families, and youth, which are designed to facilitate access to the HRS for each population:

- Families with children under the age of 18 can use Family CE Access Points.
- Adults over the age of 18 without minor children can use Adult CE Access Points.
- Transitional Age Youth (ages 18-24), and those ages 25-27 can also use Youth CE Access Points.

Eligibility criteria for Permanent Supportive Housing (PSH) varies upon the subsidy funding source and may include meeting a definition of homelessness at the time of referral and placement, enrollment in specific benefits programs, income criteria and/or the ability to live independently within the structure of the housing program. Tenants who meet eligibility criteria for PSH are prioritized based on various criteria, such as levels of vulnerability, length and history of homelessness, and severity of housing barriers.

ONE System

San Francisco utilizes the ONE (Online Navigation and Entry) System, a real-time data entry system for tracking vacancies in, referrals to, placements in, and exits from permanent supportive housing. When permanent supportive housing units are available for a referral and placement, CES will be used to identify a candidate for screening through a standardized assessment in the ONE system. LOSP supportive housing units will receive referrals for clients with the highest levels of need. LOSP building property management and services staff are expected to manage referrals and enter data on LOSP tenant households in real time as required by HSH, and participate in training for use of the ONE system. Records entered into the ONE System shall meet or exceed the ONE System Continuous Data Quality Improvement Process standards:

<https://onesf.clarityhs.help/hc/en-us/articles/360001145547-ONE-System-Continuous-Data-Quality-Improvement-Process>.

3.3 Homeless Services Plan and Services Contract Approval

High quality supportive services are a critical element of successful permanent supportive housing and are required by the LOSP Grant Agreement. Services are funded annually and monitored by the City under separate grant agreement with HSH. Service providers assist supportive housing residents who need ongoing services to maintain housing stability. Often the service provider is part of the developer team that is selected as part of the original capital funding selection.

Contracts for services are typically for an initial three-year term with an option to extend for two more years. Subsequently, service providers at each site are selected through a Request for Proposal (RFP) issued by HSH for three-year terms with an option to extend for two years. Each contract is assigned a program manager with HSH who is the contact person for all questions related to the service provision and contracting.

Currently the services funding amount awarded by HSH is based on the “Tier System” for all new LOSP projects. The Tier System is HSH’s systematic approach to funding services based on factors such as who does placement into the building, the level of need of the target population, and if the program serves homeless families, transition age youth or adults. For example, in family housing, additional funding will be provided for an “activities coordinator” to work with children and youth at the site. All new LOSP sites are currently in Tier V or V+. The higher the Tier, the more service dollars are provided and the lower the ratio for case manager to client. At the time services contracts are developed for LOSP sites, HSH will inform Service Providers of the current funding amount for the appropriate tier level.

Each Tier is assigned specific outcome objectives (see **Attachment B**) which are determined by HSH. The outcome objectives are reported on monthly, quarterly, and annually and reviewed by the HSH program manager. Contact HSH for the current services tier funding levels.

Some Adult Housing Programs at HSH are currently not part of the Tier system of services funding, and each project’s initial annual services funding of on-site support service is based on a project by project assessment. Most support services teams include a Master of Social Work (MSW) or Licensed Clinical Social Worker (LCSW)-level supervisor, who supervises a team of case managers. Depending on the anticipated needs of the tenant population, HSH may fund DPH to provide a registered nurse to provide services on-site.

3.4 Steps for Services Plan and Contract Approval

- A. A preliminary services plan and budget is submitted as part of the capital NOFA or RFP funding solicitation and reviewed by the capital funder (MOHCD or OCII) and service funder (HSH).
- B. As predevelopment advances, the services plan and budget must be further developed with a comprehensive plan and budget to be submitted prior to approval of the housing gap funding request.
- C. A final service plan and budget must be negotiated and approved by HSH as well as approved by the Board of Supervisors during the City budget process. In some instances, HSH will conduct a separate service provider solicitation and procurement process.

- D. The services contract will be negotiated between HSH, and the service provider at least three months prior to lease up, and may include start-up funding during the initial leasing process.

3.5 Marketing Plan and Tenant Selection Criteria

For all City-funded capital projects, at least twelve months prior to end of construction, the borrower must submit the initial draft of the *Marketing and Tenant Selection Plan* to MOHCD or OCII, as well as to HSH, for review and approval. The goal of the review is to promote uniform property management standards and to reduce barriers to housing. Review also includes review of associated documents such as the tenant lease, application, and house rules as well as flyers and letters used to communicate with applicants.

The City's goal with LOSP supportive housing (and all affordable housing) is to *screen tenants in* to low barrier housing. This goal to provide low barrier supportive housing goes beyond the obligations to comply with applicable federal, state and local civil rights laws, including fair housing laws, reasonable accommodation and limited English proficiency (LEP), the applicable provision of the Violence Against Women Act (VAWA) and the Fair Chance Ordinance. The City expects LOSP housing providers to adhere to Housing First principles found at California Welfare and Institutions Code Section 8255. Under Housing First, tenant screening and selection practices must promote accepting applicants regardless of their sobriety or use of substances, completion of treatment, or participation in services. Tenant applicants must not be rejected based on poor credit or financial history, poor or lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of "housing readiness."

Housing providers must follow HSH's reduced documentation policy to only require applicant documentation in the housing referral process that is required by a funding source, as outlined in the [HSH Documentation Policy](#).

The City expects that housing providers will use maximum feasible efforts to ensure that those individuals and families who are referred are accepted for occupancy in a timely fashion. To that end, the City has adopted LOSP tenant selection screening requirements as part of the LOSP Grant Agreement for applicants with a criminal record which satisfy the requirements of San Francisco Police Code Article 49, Sections 4901-4920 or the Fair Chance Ordinance (see **Attachment C**). This describes a minimum level of leniency; providers are encouraged to adopt less restrictive policies and processes whenever appropriate. For example, providers may opt not to review or consider applicant criminal records at all.

If a problem arises in the application and screening process that may cause unreasonable delay in screening outcome, the housing provider should immediately notify the referring agency and HSH to assist with an expeditious resolution.

The City of San Francisco has approved numerous preferences for the housing application process, which will be applied on a project specific basis depending on the regulations governing each project's financing sources. These preferences include the Certificate of Preference Program, Displaced Tenant Housing Preference Program, Neighborhood Resident Housing Preference Program as well as the Live or Work in San Francisco Preference. Except for Certificate of Preference certificate holders, these preferences do not apply to the LOSP units as LOSP tenant referrals are provided by HSH and must meet the underlying criteria of homelessness applicable to the specific project.

Starting 12 months prior to lease-up, periodic (leading to weekly) planning and lease-up meetings should occur with the developer, property manager, service provider, HSH and MOHCD or OCII. The purpose of the meetings is to establish lease-up schedule, review marketing plan and tenant selection criteria, identify furnishing needs for homeless units, and begin applicant processing and lease-up. After lease-up, regular operations meetings should be used to review program operations monthly or quarterly.

4. LOSP IN PROGRAM OPERATIONS

Utilization of LOSP subsidy incurs additional responsibilities for the housing provider team³ in regards to reporting, income recertification and household transfers to ensure efficient operations and utilization of the subsidy. LOSP Lease Addendums set forth specific requirements that apply in consideration for the LOSP subsidy, which help to clarify to the tenant how the LOSP subsidy works in program operations, including the ability to transfer to another LOSP unit within the LOSP portfolio if needed. It is important to note that LOSP subsidies are site-based and do not travel with the tenant if they move into non-LOSP housing.

4.1 Protecting the Privacy of Clients

HSH and MOHCD are committed to protecting the privacy of their clients. Housing providers that receive LOSP subsidies are required to take all necessary steps to comply with any applicable laws to protect the privacy of clients who are placed in units with LOSP subsidies. For purposes of this policy, “Confidential Information” means protected health information and any information that could be used to identify an individual, including their name, address, social security number, medical information, financial information, date and location of birth, and names of relatives.

HSH data sharing and privacy expectations will govern the sharing of data about clients living in LOSP units.

Any Confidential Information that is shared between parties must be transmitted in a manner that protects individuals from being identified by an external party. If information is being shared via email, the subject line of the email should never include an individual’s full or partial name or other personal identifiers. The body of the email should not include any identifying information about the client, unless the email is encrypted and can be sent securely to the recipient. HSH sends confidential emails via a secure site called Zixcorp, and housing providers are expected to respond to the emails using the site. Any paperwork that must be shared via an attachment to an email must be sent securely. If sending information securely in an email is not an option, the housing provider must find an acceptable alternative method, such as fax. Faxes should be sent

³ Housing provider team means the agency or agencies involved at the housing site that participate in referral and placement of potential tenants, property management and supportive services at the permanent supportive housing site.

- The MOHCD LOSP Grant Agreement is with the owner entity for property management functions.
- HSH's Services Grant Agreement with the Service Provider is for supportive services only, but the site must operate so that the tenant will be supported by the appropriate site staff regardless of whether the tenant approaches property management or support services with a transfer issue or request.
- Property management will have a relationship with HSH regarding notification of vacancies, referral, placement and the procedures described here for those units that are filled by HSH referral.
- Support services may be provided by a different agency or department than property management yet it is important that site staff communicate and coordinate in a way that best supports the site applicants and tenants.
- HSH relies on the Housing Provider (either a single agency or partnership of agencies) to determine how this protocol is managed so that all of the components are addressed and tenants are supported.

with a coversheet which clearly states that the paperwork included is solely for the intended recipient/program, and the coversheet must include instructions to notify the sender immediately if the recipient is not the intended recipient.

4.2 Lease Addendums

For new LOSP projects or projects requesting a Grant Agreement renewal, the [PSH Program Participant Rules](#) must be provided to all tenants as an addendum to sign upon lease-up or recertification (see **Attachment D for Adult PSH Program Participant Rules** and **Attachment E for Family PSH Program Participant Rules**). The Adult and Family Program Participant Rules set forth specific requirements that apply in consideration of the LOSP subsidy. The tenant acknowledges in the Program Participant Rules that if they fail to comply with the household size and other requirements, the tenant may be required to transfer to another appropriately sized unit or the LOSP subsidy may be terminated in which case they would be responsible for the full underlying restricted rent.

The Family LOSP Program Participant Rules specifies that the family with a minor dependent child(ren) upon lease up shall maintain at least 50 percent child custody and child residency in the subsidized unit to maintain eligibility for the family subsidy. When a minor becomes 18 years old, the family is still eligible for the LOSP subsidy as long as the appropriate household size is maintained in the unit.

The Adult and Family Program Participant Rules incorporate the [HSH Housing Quality Standards \(HQS\) Inspections Policy](#). To ensure decent, safe, and sanitary conditions for PSH tenants, HSH requires all locally subsidized units to be inspected at least biennially (every other year) by a certified third-party HQS inspector contracted by HSH. Tenants are required to allow access to their units for the inspections.

4.3 Tenant Income Recertification

The housing provider at LOSP sites must obtain each LOSP tenant household's recertification of household income on an annual basis since changes in income will affect the amount the tenant pays for rent. These certifications should be prepared pursuant to low income housing tax credit guidelines for household income for tax credit projects and / or HUD guidelines as applicable and should be maintained on file at the LOSP Grantee's principal office for no less than five (5) years following the date of such certification. The LOSP Grantee must provide MOHCD and / or HSH copies upon request.

A. Recertification Notice:

Unless superseded by tax credit or HUD regulations for the property, recertification Notices from the housing provider to a tenant regarding the need to recertify household composition and/or income must be in writing, and delivered personally to the leaseholder(s), or mailed to the tenant if the letter cannot be delivered personally to the leaseholder(s), and include the following:

1. Date of the request.
2. Due date for the response (no earlier than 30 calendar days from date of request).
3. Reason for the need to recertify: annual, follow up to reported changes, etc.
4. List of documents, certifications, etc. that are required.

5. Referral to housing provider's onsite support services for assistance in understanding and/or responding to the Recertification Notice.
6. Offer to meet with tenant to discuss the Recertification Notice. The tenant's meeting with the housing provider may include staff providing support services.
7. Statement that failure to recertify may lead to termination of rental subsidy and make the tenant responsible for the full underlying restricted rent for the unit. The monthly underlying restricted rent amount for the unit must be stated.
8. Statement that a copy of the Recertification Notice will be sent concurrently to the housing provider's support services.

B. Housing provider outreach with Recertification Notice:

Any notice of the need to recertify must be shared with the housing provider's support services provider. Support services staff must conduct and document outreach to the tenant as soon as possible to:

1. Confirm receipt of Recertification Notice.
2. Offer to discuss reasons for the need to recertify.
3. Offer assistance in communication with property management and/or the housing provider's compliance office with the Recertification Notice.
4. Explain that if eligibility of the tenant has changed, cooperation with property management allows for consideration of a transfer to an eligible unit.

C. Follow up if tenant does not respond or refuses to recertify by the due date identified in the Recertification Notice:

1. The housing provider must provide a written follow up Recertification Notice stating that the deadline has passed and requesting an immediate response, with a deadline for a total of 10 working days following the original due date.
2. This follow up notice must be shared with the housing provider's support services staff.
3. Support services staff must conduct and document additional outreach similar to what is stated above.
4. Housing provider support services staff must contact HSH.

D. Interim recertification due to change in household composition or significant change in household income:

Household income may vacillate between annual household recertifications causing a financial burden on the household or resulting in the household being able to pay more in rent. Furthermore, changes in the family size may mean that income changes or the current unit is no longer appropriate in size. Therefore, in LOSP subsidized units, interim recertifications are required in the following situations:

1. When a change in household composition is reported
2. When a significant change in household income is reported
 - Increase in a family's cumulative income of \$200 or more / month
 - Decrease in income of \$200 or more / month unless the decrease was caused by a deliberate action of the tenant to avoid paying rent or the owner has confirmation that the decrease will last less than one month.

3. Upon receiving a tenant request for an interim recertification, owners must process a recertification of family income and composition within a reasonable time, which is only the amount of time needed to verify the information provided by the tenant. Generally, this should not exceed 4 weeks.
4. When the housing provider becomes aware of factors or situations that indicate a possible unreported change in household composition or total income.

Proof of income must be submitted by the household to verify the date of the income change. The increase or decrease in gross rent will go into effect the 1st of the month following the date of the income change. If the change in income falls on the 1st of the month the gross rent will be adjusted as of that date.

4.4 Security Deposits

Security deposits may be required of tenants in accordance with applicable federal regulations, state law and the LOSP Agreement. Any security deposits collected must be segregated from all other funds of the project in an account held in trust for the benefit of the tenants and other tenants of the project and disbursed in accordance with California law. The balance in such security deposit account must at all times equal or exceed the aggregate of all security deposits collected plus accrued interest thereon, less any security deposits or interest thereon returned to tenants or any other tenants of the project.

4.5 Maximum Incomes and Calculation of Tenant Rents

Maximum permitted income may vary from one LOSP project to another and between units within a project depending on financing source restrictions. There are no universal maximum income restrictions on LOSP units per se.

Tenant gross rents are calculated as a portion of household income, typically 30%, not to exceed the maximum rent allowed under the most restrictive financing source (underlying restricted rent). San Francisco's Administrative Code Sec. 20.54.5. Standard Rent Contribution established a 30 percent of the adjusted household the maximum contribution to rent for households in permanent supportive housing units. These gross rent payment requirements must be clearly identified in the *Marketing and Tenant Selection Plan*.

It is important for sponsors to factor any applicable Utility Allowance when calculating the gross tenant rent; for example, for a tenant with \$12,000 in annual income who is responsible for paying for utilities such that the applicable monthly Utility Allowance is \$45, the monthly tenant-paid-rent is calculated as follows:

$$\$12,000 \times 30\% = \$3600$$

$$\$3600/12 = \$300 = \text{max Gross Rent}$$

$$\$300 - \$45 = \$255 \text{ tenant paid rent (i.e., after deducting tenant utility payment)}$$

Minimum rents may be charged for tenants with zero income if approved by MOHCD and HSH and included in the property's Marketing and Tenant Selection Plan which is subject to MOHCD approval. If there are minimum rents, Sponsors are encouraged to provide a hardship waiver for tenants who have no resources to pay it. If the sponsor would like to implement minimum rents

after the initial lease up, it must be requested of MOHCD Asset Management staff who will consult with HSH. Approval would require an update to the Marketing and Tenant Selection Plan.

With the written approval of HSH, the gross rent charged to a tenant may be increased as a result of a determination by HSH that the tenant is no longer eligible to receive LOSP subsidy, so long as the gross rent charged does not exceed the underlying restricted rent as dictated by the project's Declaration of Restrictions or Restrictive Covenants.

4.6 Overview of Housing Transfers

All transfer requests must go through the housing provider, who reviews the request for completeness and makes recommendation on whether or not they support the transfer request.

The HSH Permanent Supportive Housing Transfer Policy includes transfers for: Reasonable Accommodations, Life Safety/VAWA, or changes in eligibility. Please see the [HSH Transfer Request Policy](#) for further detail.

1. A Life Safety Transfer addresses the immediate health or safety need of a tenant and should be verified in writing by a medical or social service provider.
The Violence Against Women Act (VAWA) Life Safety Transfer is designated for all individuals (regardless of gender) that are experiencing incidents of domestic violence, stalking, human trafficking, or other related forms of threat.
2. A Reasonable Accommodation Transfer addresses a client's disability needs, such as modifications or alterations in a unit or site, to facilitate the same opportunities to benefit from services, programs or activities.
3. A Change in Household Size or Eligibility Transfer. These transfers are reserved for client status changes (such as household, income, or other eligibility requirements) that have made them ineligible for the type of unit they are currently residing, but they remain eligible to receive permanent supportive housing in other types of units.

Housing providers are expected to accommodate transfer requests through an internal transfer within the housing provider's own portfolio whenever possible. To initiate an external transfer through HSH, the housing provider is expected to complete a Transfer Request Form, ensure its accuracy, review and validate any required transfer request documentation and send it to the HSH transfer unit. Once done, the HSH transfer staff will approve or deny the request. If approved, the housing provider will then work with the client and their social support staff to gather all necessary documentation (such as Proof of Income, household documentation, or any other eligibility documentation), complete all necessary applications, and follow through with appointments and interviews with the new housing site to finalize the transfer process.

4.7 LOSP Subsidy Termination

All LOSP tenants must be given a copy of the [Subsidy Termination Policy](#) at move-in or recertification.

A. Overview of LOSP Subsidy Termination

HSH is committed to keeping adults and families housed once placed into permanent supportive housing. Removal of LOSP subsidy to a household may be considered only as a last resort, and generally is a result of one of the circumstances listed below:

1. The tenant, adult or family, fails to provide information for a recertification by the Housing Provider's deadline.
2. Changes in household composition that result in the size of the household being above the maximum or below the minimum occupancy standards for the unit.
3. Changes in household composition that result in the adult household member with a qualifying disability (in units where this is an eligibility requirement) no longer residing in the unit, and there is not a certified qualifying disability among any other adults in the household.
4. For family units, removal of all minors from the household.
5. If, after any of the above situations are identified, the tenant refuses an alternative unit that is offered that would continue eligibility for LOSP subsidy.
6. For failing to comply with the terms of the Program Participant Rules for City & County of San Francisco Permanent Supportive Housing.

If a circumstance that is not listed above is proposed to lead to a possible termination of subsidy, the matter and all supporting documentation must be submitted to HSH and will be reviewed carefully by the Housing Provider and HSH to determine if subsidy termination is warranted.

HSH program staff assigned to the site/grant must be informed:

- a. When a tenant has failed to respond to a recertification after the initial and follow up efforts noted above.
- b. When site staff become aware of factors or situations that indicate a possible unreported change in household composition

The purpose of the contact and exchange between the housing provider and HSH:

1. Discuss and determine if additional steps need to be taken.
2. Identify methods by which HSH may obtain information and/or request information that may help clarify the tenant's situation.
 - o Determine if that effort requires a release to be signed by the tenant due to sharing of personal or confidential information.

B. Determining Termination of Subsidy

If an assisted household is not complying with the program eligibility requirements, the tenant and/or contracted PSH Property Management Providers for the units must notify

the HSH Program Manager. HSH Staff will work with the tenant and/or contracted PSH Providers to problem solve and follow up on the steps needed for the assisted household to maintain eligibility for the subsidy. HSH Staff will issue an out-of-compliance letter to the head of household that outlines the unmet eligibility requirements and the timeline for the household to come into compliance for the housing subsidy to be maintained. If the household does not come into compliance within the timeline, the HSH Program Manager will issue a Subsidy Termination Notice to the head of household stating the date the subsidy will terminate and the appeals process and timeline. The Notice will be mailed and emailed to the head of household (where applicable) and a copy will be provided to the PSH Property Management and Support Services Providers to support the tenant receiving the information. The head of household has ten business days from the date of the Subsidy Termination Notice to file an appeal. If an appeal is not filed within ten business days, the subsidy will terminate as specified in the Subsidy Termination Notice. The appeal letter must be either mailed to the Department of Homelessness and Support Services, 440 Turk Street, San Francisco, CA 94102, or email to HSH-PSH-appeals@sfgov.org.

C. Appeals Process

1. The head of household will have ten business days from the date of the Subsidy Termination Notice to appeal the decision. They must contact the HSH Program Manager listed in the Notice by the deadline to begin the appeals process. They may also request a meeting with the Subsidy Termination Appeals Committee (STAC).
2. Within fifteen business days of receiving the appeal from the head of household:
 - a. **If an appeal meeting is requested by the head of household**, the hearing will be conducted by the STAC, a collaborative effort from HSH's service providers and people with lived experience. All hearings will take place during the Appeals Panel meetings, which are held twice a month. The STAC will determine if the PSH subsidy termination is reasonable and necessary based on the HSH subsidy termination policy and PSH eligibility. Participants in the hearing should be the tenant, tenant advocate or housing provider's support services staff (I.e. case manager), the housing provider's property management staff and/or representative of the housing provider, and the HSH program staff and Supervisor assigned to the property.

Documents made available will include copies of related correspondence and other materials. During the hearing, presentations to the STAC will be made by the housing provider and the tenant. HSH program staff may present additional information, if requested by the STAC.

The appeal must include the following:

- Explanation of why the household was unable to comply with the program eligibility requirements within the required timeframe; and

- The timeframe the household will come into compliance.

The STAC will issue a written decision within 1 business day to the HSH Program Manager, who will communicate the information to the head of household with copies provided to the relevant parties that attended the appeal meeting. The decision will include information regarding the reasons for the final decision and next steps, if any; *or*

- b. **If a hearing has not been requested by the head of household**, the PSH Subsidy will terminate on the date listed in the Subsidy Termination Notice.

4.8 MOHCD Compliance Monitoring

Annual reporting and periodic inspections are the two primary tools that the MOHCD Asset Management Team uses to monitor projects, assess their performance, and ensure ongoing compliance. All units with MOHCD financing are required to submit an Annual Monitoring Report (AMR), a multi-faceted report that covers all aspects of a project's operations relevant for MOHCD to assess compliance with requirements under City contract. For purposes of assessing compliance with the requirements under LOSP grant funding, project sponsors must submit detailed information about tenant incomes, rents and household sizes and annual financial activity.

MOHCD Asset Management staff use the tenant information reported to verify compliance with the following:

- Income eligibility requirements
- LOSP rent charges
- Occupancy and changes in household size
- Ensure expenses and fees are within limits approved under the project's MOHCD or OCII Agreements
- Assess for variances in revenue, expenses or fees compared to the approved operating budget under the LOSP grant agreement
- Determine the amount of LOSP surplus or deficit for the reporting period

The Asset Management team may also conduct periodic inspections of projects financed by MOHCD and OCII to determine if they are being operated in compliance with the terms of MOHCD and other applicable City and federal regulations. These entail a physical inspection of the project, as well as an examination of tenant files and property management records, including conformance with maximum incomes, maximum rents, and tenant income certifications.

4.9 Critical Incident Reporting

Even the most effective management of affordable housing properties cannot completely prevent the occurrence of serious, negative events such as accidents, criminal activity or equipment failure. At their worst, these events can lead to property damage, displacement of tenants, bodily injury or death. If a serious incident does occur, the property owner should notify all stakeholders in the project of the occurrence as soon as possible, after emergency procedures have been followed and the situation has been stabilized.

A. Reporting Requirements for MOHCD

As outlined in the MOHCD Serious Incident Protocol (see <http://sfmohcd.org/asset-management-multifamily-rental-housing>), the Mayor's Office of Housing and Community Development requests that owners of projects financed by MOHCD notify Asset Management staff immediately if a serious incident occurs at their properties and meets one or more of the following parameters:

- Involves serious injury or death
- Is a serious, violent crime that involves a major police action (e.g. shooting)
- Causes the building or a significant number of units therein to be off-line
- Requires a resident to leave a unit for one month or longer
- Damage to the building is significant enough to require the use of reserves

The owner should notify the MOHCD asset manager assigned to the project and provide the following information:

- The date of the incident
- A description of the incident
- A description of what has been and is being done in response
- The name, phone and email of the staff that should be contacted if there are questions
- Confirmation that 1) the property insurance is current and 2) the insurance company has been contacted; a brief summary of their response, if available
- Statement of whether or not the organization plans to use the project's reserves to pay for corrective action

B. Reporting Requirements for HSH

PSH providers are required to report critical incidents within 72 hours according to the [HSH Critical Incident Reporting Policy and Procedures](#).

HSH requires that Providers notify the appropriate HSH Program Manager immediately if a serious incident occurs at a property that meets one or more of the following parameters below. Providers must report all incidents using the online Critical Incident Report form. For incidents that involve a death, fire, or egregious violent act, the HSH program manager should be contacted immediately on the phone first.

- Involves serious injury or death
- Is a violent crime that involves a major police action (e.g., shooting)
- For family units – when minor children are removed by Child Protective Services
- Causes the building or a significant number of units therein to be off-line
- Requires a resident to leave a unit for one month or longer
- Damage to the building is significant enough to require the use of reserves

4.10 “Moving On” Exits from Supportive Housing

An important part of the City's strategy to address homelessness is to create “moving on” opportunities to enable stable tenants of permanent supportive housing who no longer need or

want on-site services to move to other affordable housing with rental support. The Housing Ladder offers opportunities for residents of Permanent Supportive Housing (PSH) to move from intensive supportive housing to more independent living, with an ongoing subsidy. The City will then refer other homeless families and individuals who need the housing combined with services to the vacated supportive housing units.

To be eligible for the Housing Ladder Program, clients are referred by their case managers. To be eligible, clients must:

- Be a tenant in HSH's permanent supportive housing and have lived there for at least two years.
- Be in good standing and have no lease violations.
- Show readiness to move into more independent living.

Current information on the Housing Ladder Program can be found on the HSH website:
<https://hsh.sfgov.org/services/the-homelessness-response-system/housing/housing-ladder/>

5. RESOURCES AND CONTACTS FOR MORE INFORMATION

Permanent supportive housing units supported by LOSP and other operating subsidies are critical to address San Francisco’s housing and homelessness crisis. High quality supportive housing units, effective social service programs and successful tenant outcomes are only possible through close collaboration between the City capital and service funding agencies, housing developers and service providers. If you need more information on specific components of the LOSP program, please contact:

- **HSH** – for information on target populations, applicant referrals, coordinated entry and services:
<http://hsh.sfgov.org/>
628-652-7700
- **MOHCD** – for information on underwriting, budgeting and LOSP Grant Agreements:
<http://sfmohcd.org/>
415 701-5500
- **OCII** – for information on LOSP funding in OCII funded projects:
<http://sfocii.org/>
415 749-2400

To access best practices nationwide in creating permanent supportive housing, access the **Corporation for Supportive Housing (CSH) Supportive Housing Quality Toolkit**, containing tools, templates and project profiles covering Project Design and Administration, Property and Housing Management, Supportive Services and Community. Go to:
<http://www.csh.org/qualitytoolkit>

For a detailed description of each component and the corresponding Dimensions of Quality, read the CSH guidebook available on their website, “[CSH Dimensions of Quality Supportive Housing](#).”

ATTACHMENTS

Attachment A:	Operating Proforma, 20 Year Cashflow, Schedule A1A2 and A
Attachment B:	Tier Service Funding Objectives
Attachment C:	LOSP Tenant Selection Criteria requirements
Attachment D:	LOSP Program Participation Rules: Adult
Attachment E:	LOSP Program Participation Rules: Family

Attachment A

Operating Proforma, 20 Year Cashflow, Schedule A1A2 and A

Please download the latest version from [this link](#)

Attachment B
Sample Support Services Objectives

Monthly	Occupancy
	New Placements
	Number of Intakes and Assessments - New Tenants
Quarterly	Assessment for benefits, primary medical care, mental health, and substance use treatment needs
	Outreach to Households Showing Instability
	Number of Group or Community Activities
	Number of Outreach Efforts to New Tenants (6x in 60 days)
	Number of New and Updated Goal Plans
	Number of Households that Received Direct Services and Number of Direct Service Contacts
Annually	Housing Stability
	Tenant Satisfaction Survey Results
	Program Exits
	Number of Households Showing Housing Instability that Remained Stably Housed

Attachment C
Tenant Screening Criteria Policy – LOSP

The City expects that housing providers will use maximum feasible efforts to ensure that those individuals and families who are referred are accepted for occupancy in a timely fashion. To that end, the City has adopted the following screening criteria for applicants with a criminal record. If a problem arises in the application and screening process that may cause unreasonable delay in screening outcome, the housing provider should immediately notify the referring agency and HSH to assist with an expeditious resolution.

The screening criteria and considerations outlined below encourage providers to “screen in” rather than “screen out” applicants. These requirements are also designed to satisfy the requirements of San Francisco Police Code Article 49, Sections 4901-4920 or the Fair Chance Ordinance. This policy describes a minimum level of leniency; providers are encouraged to adopt less restrictive policies and processes whenever appropriate. For example, providers may opt not to review or consider applicant criminal records at all.

Screening Criteria

- Housing providers shall not automatically bar applicants who have a criminal record⁴ in recognition of the fact that past offenses do not necessarily predict future behavior, and many applicants with a criminal record are unlikely to re-offend.
- Housing providers shall not consider:
 - arrests that did not result in convictions, except for an open arrest warrant;
 - convictions that have been expunged or dismissed under Cal. Penal Code § 1203.4 or 1203.4a;⁵
 - juvenile adjudications.
- Housing providers shall consider:
 - the individual circumstances of each applicant; and
 - the relationship between the offense, and
 - (1) the safety and security of other tenants, staff and/or the property; and
 - (2) mitigating circumstances such as those listed below.
 - only those offenses that occurred in the prior 3 years, except in exceptional situations, which must be documented and justified, such as where the housing provider staff is aware that the applicant engaged in violent criminal activity against staff, residents or community members and/or that the applicant intentionally submitted an application with materially false information regarding criminal activity. As necessary, HSH will assess the justification for a longer look-back period and determine whether an exception is warranted. In

⁴ The policy recognizes that some housing may be subject to mandatory laws that require the exclusion of an applicant based upon certain types of criminal activity.

⁵ The purpose of the statute is allow a petitioner to request a dismissal of the criminal accusations, a change in plea or setting aside of a verdict and to seek to have certain criminal records sealed or expunged and a release “from all penalties and disabilities resulting from the offense.”

these exceptional situations, the housing provider may consider offenses that occurred in the prior 5 years.

- mitigating factors, including, but not limited to:
 - (1) the seriousness of the offense;
 - (2) the age and/or circumstances of the applicant at the time of the offense;
 - (3) evidence of rehabilitation, such as employment, participation in a job training program, continuing education, participation in a drug or alcohol treatment program, or letters of support from a parole or probation officer, employer, teacher, social worker, medical professional, or community leader;
 - (4) if the offense is related to acts of domestic violence committed against the applicant;
 - (5) if the offense was related to a person's disability.

Attachment D
LOSP Program Participant Rules: Adult

Please download the latest version from [this link](#)

This addendum sets forth specific requirements that apply to Permanent Supportive Housing (PSH) units supported by the City and County of San Francisco (“City”) via the General Fund, or Local Operating Subsidy Program (LOSP), or other City funding sources, and referred through the Homelessness Response System. The tenant herein agrees to these additional terms as a condition of the tenant’s eligibility to receive a housing subsidy, in which the tenant pays a reduced rent for the unit. The housing subsidy may be terminated by the City due to noncompliance or if the household no longer meets the eligibility criteria for the subsidy. If the subsidy is terminated, the tenant will be responsible for the unsubsidized rent for the unit. If the tenant cannot or will not pay the full amount of the unsubsidized rent, this may lead to unlawful detainer proceedings and eviction by Property Management. The subsidy is project-based and cannot be transferred to other properties or to other tenants not on the lease.

Name(s) of Qualifying Household Members:

(Please list all household members who meet HSH subsidy eligibility requirements as listed below)

Site Name and Address: _____

Unit #: _____

ELIGIBILITY: The eligibility requirements related to this unit are:

Homeless History:

- Meets the [HSH Adult Homeless Definition](#)
- Meets additional eligibility requirements for the site, if applicable

Tenant(s) Initials: _____

Income:

- Total household income cannot exceed _____% of the current AMI (Area Median Income) at the time of this lease signing based on the household configuration noted below.

Tenant(s) Initials: _____

ELIGIBILITY: (continued)

Household Configuration:

- The unit offered with the lease has:
 - Minimum occupancy of _____ persons.
 - Maximum occupancy of _____ persons.
- This lease is being offered based on an occupancy of _____ persons.
- At any given time, at least one adult on the lease must meet the HSH Adult Homeless Definition in order to remain eligible for the subsidy.

Tenant(s) Initials: _____

RENT:

- If applicable, factor a Utility Allowance into the calculation of Gross Rent owed. Monthly Gross Rent shall be calculated at 30% of household monthly adjusted gross income, with the maximum rent as either:
 - The current underlying restricted rent for the unit, or
 - The current maximum rent for the unit according to MOHCD's Inclusionary BMR Program for 50% AMI.
- If tenant has no documented and regular income, a minimum of \$_____.00 per month rent is required. Applicable Not applicable Waived
- At the time of the signing of the lease and this addendum for this unit, the full underlying restricted rent or unsubsidized rent for this unit is \$_____ per month. This amount changes over time.

Tenant(s) Initials: _____

ON-GOING COMPLIANCE: The eligibility for the housing subsidy related to this unit requires:

- Current tenants must submit a request to the Housing Provider in accordance with the terms of their lease before any persons are added to or removed from the unit. The Housing Provider will communicate with HSH accordingly to process the request. The adult to be added to the lease must meet applicable eligibility requirements for the unit, following the Housing Provider's screening protocol and approval process, and signing all applicable certification and lease documents.

Tenant(s) Initials: _____

- The tenant must report changes in household income to the Housing Provider within the timeline in the lease agreement. The tenant must complete an interim recertification if there is an increase or decrease of the household income of \$200 or more / month. The

Housing Provider will adjust the rent amount according to the lease agreement and/or regulatory requirements.

Tenant(s) Initials: _____

ON-GOING COMPLIANCE: (continued)

- Households must meet the eligibility requirements for the unit specified in the Household Configuration section. If they no longer meet any of those requirements, they will be offered an opportunity to apply for, and move to, another subsidized housing unit that they are eligible for.

Tenant(s) Initials: _____

- The Housing Provider will recertify the household income and configuration on an annual basis. The Housing Provider may request additional recertification to verify changes in household income or configuration. Compliance with requests for recertification is a requirement for continuing to receive the housing subsidy.

Tenant(s) Initials: _____

- HSH funds Third-Party Rent Payment (TPRP) and Money Management services for PSH tenants. Tenant is encouraged to enroll in money management services to support housing stability. (Check box as applicable):
 - I am currently enrolled in Money Management or Rep Payee services that will make rent payments on my behalf. The provider is: _____
 - I would like a referral to Third-Party Rent Payment (TPRP) and/or Money Management services.

Tenant(s) Initials: _____

- Tenant will maximize income, which includes applying for and maintaining all benefits the tenant is eligible for.

Tenant(s) Initials: _____

- Tenant, or a health care provider on behalf of tenant, must communicate to on-site Support Services any temporary absences that exceed 30 calendar days. Tenant may receive authorization to be absent from their unit up to 90 consecutive days for the following reasons: residential treatment program, incarceration, hospitalization, institutional care facility, or family emergency. Tenant must continue to pay rent while they are absent from the unit.

Tenant(s) Initials: _____

ON-GOING COMPLIANCE: (continued)

- Tenant must live in the unit and the unit must be the tenant’s only place of residence. Tenant may not have a lease agreement for more than one subsidized unit at any given time. If a tenant is moving from one subsidized unit to another, tenant must relinquish the former unit within 7 days of the lease start date for their new unit.

Tenant(s) Initials: _____

HOUSING QUALITY INSPECTIONS (HQS)

- To ensure decent, safe, and sanitary conditions for PSH tenants, HSH requires all locally subsidized units to be inspected at least biennially (every other year)⁶ by a certified third-party HQS inspector contracted by HSH. HSH and/or the inspector will coordinate inspection dates and times with the Property Manager and provide written notice to the tenant of the scheduled inspection date and time at least 14 days prior to the inspection date. Tenants are required to allow access to their unit for HQS inspections but are not required to be present for the inspection to take place. If an adult tenant is not present for a scheduled inspection, property management or an authorized representative will provide access to the unit and remain present for the inspection. If the unit does not pass the HQS inspection, tenants must allow access to their unit for repairs as needed and for re-inspections. The property manager and/or owner is responsible for correcting deficiencies generally within 30 days, except for issues deemed to be the responsibility of the tenant. If the unit fails inspection due to a tenant-responsible issue, the tenant must take action to resolve the issue(s) that caused the unit to fail within 60 days from the failed inspection. Support services will be notified of tenant-responsible issues. Tenants are required to work with support services staff, as needed.

Tenant(s) Initials: _____

SUBSIDY REVOCATION:

- I/We understand that the housing subsidy is not an entitlement program, rather it is an eligibility-based program and that the terms and conditions listed above must be met at time of placement and throughout tenancy in order to qualify and remain eligible for the subsidy. I/We receive the subsidy based solely on meeting and maintaining the eligibility and on-going compliance requirements of the program.

Tenant(s) Initials: _____

SUBSIDY REVOCATION: (continued)

⁶ Biennial HQS inspection frequency is contingent upon HSH budget and funding availability on a fiscal year basis.

Attachment E

LOSP Program Participant Rules: Family

Please download the latest version from [this link](#)