SAN DIEGO HOUSING COMMISSION
SDHC

ITEM 101

EXECUTIVE SUMMARY

HOUSING COMMISSION
EXECUTIVE SUMMARY SHEET

DATE: March 2, 2017 HCR17-022

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Ann Kern, 619-578-7582

REQUESTED ACTION: Approve updated Developer Fees for multifamily loans and bonds

EXECUTIVE SUMMARY OF KEY FACTORS:

- The Housing Commission provides loans for the development of affordable multifamily rental housing and the Housing Authority issues bonds for the development of affordable multifamily rental housing.
- A Notice of Funding Availability (NOFA) is used to notify developers of available funding for loans, as well as terms and conditions for this funding, including allowable Developer Fees.
- Most of the developments applying for Housing Commission loan funds are also applying to the State for either 4 percent or 9 percent tax credit financing.
- The Housing Commission has allowed developers to use CTCAC guidelines for developer fees in the past, but limited the developer fee to $1.4 million since 2012.
- In 2015, Housing Commission staff engaged Keyser Marston and Associates to work on potential changes to developer fees, factoring in Housing Commission policy objectives. In the winter of 2015 CTCAC amended their developer fee guidelines to create additional financing sources (tax credit equity) and incentivize housing production under the 4 percent low income housing tax credit program. The previous CTCAC guidelines limited developer fee to $2,500,000. Current developer fee under CTCAC guidelines is determined by project size and development cost.
- Staff recommends using the CTCAC developer fee guidelines for the production / creation of new affordable housing, the conversion of market rate housing to affordable housing, and the preservation of “at-risk” housing.
- Staff recommends adopting developer fee guidelines for projects that are refinancing existing affordable housing (with an existing Housing Commission loan) to the limits as outlined in staff report.
- Staff recommends confirming using the CTCAC developer fee guidelines for 4% tax credit multifamily housing revenue bond issuances that do not include Housing Commission gap financing.

SAN DIEGO HOUSING COMMISSION
SDHC

REPORT

DATE ISSUED: March 2, 2017 **REPORT NO**: HCR17-022

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 10, 2017

SUBJECT: Request for Approval of Updated Developer Fees

COUNCIL DISTRICT: Citywide

REQUESTED ACTION:
Approval of updated Developer Fees for multifamily loans and bonds issuances.

STAFF RECOMMENDATION
That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

1. Approve using the California Tax Credit Allocation Committee (CTCAC) developer fee guidelines for the production / creation of new affordable housing, the conversion of market rate housing to affordable housing, and the preservation of "at-risk" housing;
2. Approve the draft Developer Fee Guidelines as described in this report for projects that are refinancing existing affordable housing and for projects that do not utilize tax credit financing;
3. Ratify using the CTCAC developer fee guidelines for 4 percent tax credit multifamily housing revenue bond issuances that do not include Housing Commission gap financing; and
4. Authorize the Housing Commission President & Chief Executive Officer (President & CEO) or designee, to negotiate and recommend alternative Developer Fees, in his reasonable and sole discretion for developments that warrant larger fees (such as developments of more than 100 units; developments that involve the assembling of multiple sites; or highly complex and high risk developments); or developments that warrant smaller fees (refinance of an existing affordable development by the same owner). Such recommendations will be presented to the Housing Commission Board for their review and approval.

SUMMARY
The Housing Commission provides loans for development of affordable multifamily rental housing and the Housing Authority issues bonds for the development of affordable multifamily rental housing.

A Notice of Funding Availability (NOFA) is used to notify developers of available funding for loans, as well as terms and conditions for this funding, including allowable Developer Fees. Most of the developments applying for Housing Commission loan funds are also applying to CTCAC for either 4 percent or 9 percent tax credit financing.

The current allowable developer fee under the Housing Commission's NOFA is $1.4 million. Additional developer fee is allowed for tax credit projects for the purpose of generating additional tax credit equity, which reduces the need for Housing Commission loan funds. Additional developer fee is

permitted and contingent upon: 1) the Developer contributing the additional developer fee back to the project as a source of permanent financing (equity), or; 2) receiving payment of additional developer fee out of the borrower's share of residual cash flow.

The Housing Commission has allowed developers to use CTCAC guidelines for developer fees in the past, but limited the developer fee to $1.4 million since 2012.

In 2015, Housing Commission staff engaged Keyser Marston and Associates to work on potential changes to developer fees, factoring in Housing Commission policy objectives. In the fall of 2015, CTCAC proposed amending their developer fee guidelines, and Housing Commission staff tabled their review until after the CTCAC process was completed. CTCAC conducted extensive stakeholder meetings throughout California and solicited public comment. Changes were made to developer fee under the 4 percent and 9 percent low-income housing tax credit programs.

In an effort to create additional financing sources (tax credit equity) and incentivize housing production, CTCAC made considerable modifications to developer fee limits under the 4 percent low-income housing tax credit program. The previous CTCAC guidelines limited developer fee to $2,500,000. Developer fee under current CTCAC guidelines is determined by project size and development cost as follows:

Development Size
Developers are eligible for up to $2,500,000 plus $10,000 per unit for each tax credit unit in excess of 100. For example, a 150-unit affordable development would be eligible for up to $3,000,000 ($2,500,000 + ($10,000 x 50 units)).

Development Cost
The low-income housing tax credits program was enacted under the Tax Reform Act of 1986 and is outlined in Section 42 of the Internal Revenue Code (IRC). Tax credits are generated from eligible costs (IRC defines as "eligible basis") associated with the development of affordable housing. Developer fee limits vary between 4 percent tax credit financing structures and 9 percent tax credit financing structures. Developer fee is based off of a set percentage (established by CTCAC) of eligible basis. The developer fee calculation and set percentages differ slightly between new construction and acquisition rehabilitation development.

<u>Stakeholder Meetings</u>
The Housing Commission conducted a stakeholder meeting on November 17, 2016, to seek developer input regarding proposed changes to the Housing Commission's allowable developer fee. Twenty development companies were invited to attend and nine were able to attend. General consensus from the stakeholder group was to use the CTCAC guidelines and to keep the fee calculation simple. Developers operate throughout the State of California as well as other states. They cited the challenges encountered trying to meet the various public and private lender requirements. They also cited the need for payment of fair and reasonable fees, recognizing the risks and complexity of affordable housing development.

Developer Fee Recommendations

Guidelines for production / creation of new affordable housing and preservation of "at-risk" housing.

Staff recommends using the CTCAC developer fee guidelines for the production / creation of new affordable housing, the conversion of market rate housing to affordable housing, and the preservation of "at-risk" housing.

Staff prepared draft Developer Fee Guidelines, which were presented to the Real Estate Committee on January 23, 2017. The Real Estate Committee was supportive of staff's draft recommendation, as well as using the CTCAC guidelines. They requested additional analysis be provided to the Housing Commission that shows what developer fees would look like if the Housing Commission allowed CTCAC guidelines. Attachment 2 provides an analysis of the seven most recent loans and the impacts to developer fees, tax credit equity, and Housing Commission gap financing, by allowing use of CTCAC developer fee guidelines.

This analysis shows that allowing the CTCAC developer fee guidelines would increase tax credit equity to these seven projects by $2,557,000 while decreasing the Housing Commission's gap financing by $357,000.

Staff recommends allowing increasing the developer fees in recognition of the costs and risks related to affordable housing finance, development and operation. This recommendation only applies to the production and creation of new affordable housing and the preservation of "at-risk" housing. At-risk housing is existing affordable housing that has expiring rent restrictions and will convert to market rate housing within the next ten years, unless preserved.

Guidelines for projects that are refinancing existing affordable housing

Staff recommends adopting the following developer fee guidelines for projects that are refinancing existing affordable housing (with an existing Housing Commission loan) to make needed property improvements.

1. Purchases from Unrelated Parties: $30,000 per unit up to $2,000,000
2. Purchase from Related Party: $30,000 per unit, up to $1,400,000

This recommendation will result in lower allowable developer fees, recognizing that there is less risk for these types of transactions. For example, when selling to a related party, all property details are known, and there is less risk for additional unknown expenses related to operating or recapitalizing the asset.

Staff also recommends allowing higher developer fees for the purpose of generating additional tax credit equity. Any fee above the unrelated or related party limits shall be required to be contributed back to the project as equity or paid for out of the developer's share of residual cash (typically 50 percent of cash flow). This recommendation will increase tax credit equity and reduce the need for Housing Commission gap financing, while protecting repayments on the Housing Commission loan.

Guidelines for projects that do not utilize tax credit financing

1. $30,000 per unit up to $2,200,000 (new construction)
2. $30,000 per unit up to $2,000,000 (acquisition/rehabilitation)

Guidelines for projects that do not utilize Housing Commission gap financing

Multifamily housing revenue bond issuances that do not include Housing Commission gap financing shall not be restricted to Housing Commission developer fee limits.

Because each project is unique, there is no one-size-fits-all approach. All developer fees are fully disclosed in Housing Commission Board Reports for Board review.

AFFORDABLE HOUSING IMPACT

The proposed changes are expected to have positive impacts for affordable housing development in the city of San Diego, resulting from increased incentives for the production of new affordable housing and preservation of existing at-risk housing in the city of San Diego.

FISCAL CONSIDERATIONS

The proposed action may increase or decrease SDHC's gap financing depending on the individual structure of the multifamily loans and bonds issuances.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Key stakeholders include numerous San Diego Developers, including Affirmed Housing, AMCAL Housing, Bridge Housing, Chelsea Investment Corporation, Community Housing Works, Hitzke Development, National CORE, Retirement Housing Foundation, Townspeople, Trestle Housing, and Wakeland Housing and Community Development. Civic San Diego will also be impacted on any future joint-funded projects.

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Ted Miyahara

Ted Miyahara
Director, Housing Finance
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Executive Vice President & Chief Strategy Officer
San Diego Housing Commission

Attachments

1) Analysis of Recent Housing Commission Loans

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Public Meetings" section of the San Diego Housing Commission website at www.sdhc.org

EXHIBIT 1

Attachment 1

SUMMARY OF DEVELOPER FEE REGULATIONS/GUIDELINES
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	SDHC Existing Guidelines	TCAC Regulations	SDHC Proposed New Guidelines (February 2017) (1)(2)(3)
I. Developer Fee	• 9% Tax Credits $1.4 million	• 9% Tax Credits - In project costs: 15% eligible basis up to $2.2 million (new construction); $2.0 million (rehabilitation) - In eligible basis: up to $1.4 million	• 9% Tax Credits - In project costs: 15% eligible basis up to $2.2 million (new construction); $2.0 million (rehabilitation) - In eligible basis: up to $1.4 million
	• 4% Tax Credits $1.4 million	• 4% Tax Credits - In project costs 15% of eligible basis - In eligible basis: 15% of eligible basis	• 4% Tax Credits - In project costs 15% of eligible basis - In eligible basis: If hard construction costs < $20,000 per unit = 15% of construction related basis; 5% of acquisition basis If hard construction costs > $20,000 per unit, or at-risk project, or 30% of project at 50% AMI or lower = 15% of eligible basis
			• Refinance of Existing Affordable Development Purchased from Unrelated Party: $30,000/unit up to $2.0 million
			• Refinance of Existing Affordable Development Purchased from Related Party: $30,000/unit up to $1.4 million
			• New Construction and Acquisition/Rehabilitation without Low Income Housing Tax Credits: $30,000/unit up to $2.2 million (new construction); $2.0 million (rehabilitation)
II. Required Fee Deferral	Developer fee in excess of ceiling limits; to be repaid from developer's share of residual receipts and/or contributed as equity toward the project	4% Tax Credits: Developer fee in excess of $2.5 million + $10,000/unit for projects in excess of 100 units	New Construction: Payable out of developer's share of residual receipts Acquisition Rehabilitation: Allowed for the purposes of increasing eligible basis, amounts in excess of developer fee limitation shall be deferred and paid out of developer's share of residual receipts

(1) Developer fee modeled pursuant to TCAC Regulations.
(2) Additional developer fee above limits allowed for the purpose of increasing eligible basis and generating additional tax credit equity, but increased fee must be deferred/contributed.
(3) Development projects proposing to utilize a source of financing with more restrictive developer fee limits, those limits shall be applied.

Prepared by: Keyser Marston Associates, Inc.
Filename i:\Developer Fee Pro Formas_v7;3/2/2017;lag

EXHIBIT 2

COMPARISON OF SDHC EXISTING GUIDELINES VS. PROPOSED GUIDELINES
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

				Developer Fee				Tax Credit Equity				SDHC Financing Gap			
Project	Number of Units	Tax Credits	Type	SDHC Existing Guidelines	SDHC Proposed Guidelines (February 2017)	Difference Total	Difference Per Unit	SDHC Existing Guidelines	SDHC Proposed Guidelines (February 2017)	Difference Total	Difference Per Unit	SDHC Existing Guidelines	SDHC Proposed Guidelines (February 2017)	Difference Total	Difference Per Unit
A. Encanto Village	66	9% Tax Credits	New Construction	$1,400,000	$1,400,000 (1)	$0	$0	$12,617,000	$12,617,000	$0	$0	$7,250,000	$7,250,000	$0	$0
B. North Park Senior Apartments	76	4% Tax Credits	New Construction	$1,400,000	$2,952,000	$1,552,000	$20,421	$10,545,000	$11,321,000	$776,000	$10,211	$8,013,000	$8,337,000	$324,000	$4,263
C. The Lofts at Normal Heights	53	4% Tax Credits	New Construction	$1,400,000	$1,952,000 (2)	$552,000	$10,415	$6,283,000	$6,528,000	$245,000	$4,623	$5,445,000	$5,200,000	($245,000)	($4,623)
D. Fairmount Family	80	4% Tax Credits	New Construction	$1,400,000	$3,216,000	$1,816,000	$22,700	$9,335,000	$10,078,000	$743,000	$9,288	$9,934,000	$10,291,000	$357,000	$4,463
E. Twain Veterans	80	4% Tax Credits	New Construction	$1,400,000	$2,683,000 (2)	$1,283,000	$16,038	$9,612,000	$10,252,000	$640,000	$8,000	$5,579,000	$4,939,000	($640,000)	($8,000)
F. Zephyr (Grantville Veterans)	85	9% Tax Credits	Acquisition / Rehabilitation	$1,400,000	$1,400,000 (2)	$0	$0	$16,656,000	$16,656,000	$0	$0	$3,000,000	$3,000,000	$0	$0
G. Post 310	43	4% Tax Credits	New Construction	$1,400,000	$1,764,000 (2)	$364,000	$8,465	$5,524,000	$5,677,000	$153,000	$3,558	$3,267,000	$3,114,000	($153,000)	($3,558)
Total	**483**			**$9,800,000**	**$15,367,000**	**$5,567,000**	**$11,530**	**$70,572,000**	**$73,129,000**	**$2,557,000**	**$5,290**	**$42,488,000**	**$42,131,000**	**($357,000)**	**($740)**

(1) Assumes SDHC would limit developer fees on 9% tax credit projects to $1.4 million, the amount allowed in eligible basis.
(2) Veterans Housing and Homelessness Prevention Program (VHHP) requires developer fee in excess of $1.4 million be deferred or contributed as equity toward the project.

TABLE A

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Encanto Village			
	Developer Pro Forma	**SDHC Existing Guidelines**	**TCAC Regulations** (1)	**SDHC Proposed New Guidelines (February 2017)** (1)
I. Developer Fee				
A. Developer Fee Per Unit	$1,400,000 $21,210	$1,400,000 $21,210	$1,400,000 $21,210	$1,400,000 $21,210
B. % of Eligible Basis	13.8%	13.8%	13.8%	13.8%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,400,000	$1,400,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$0	$0	$0	$0
C. Total	$0	$0	$0	$0
IV. Tax Credit Equity				
A. Tax Credit Equity	$12,617,000	$12,617,000	$12,617,000	$12,617,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($7,250,000) ($109,800)**	**($7,250,000) ($109,800)**	**($7,250,000) ($109,800)**	**($7,250,000) ($109,800)**

(1) Assumes SDHC would limit developer fees on 9% tax credit projects to $1.4 million, the amount allowed in eligible basis.

TABLE B

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	North Park Senior Apartments			
	Developer Pro Forma	SDHC Existing Guidelines	TCAC Regulations	SDHC Proposed New Guidelines (February 2017)
I. Developer Fee				
A. Developer Fee Per Unit	$2,888,000 $38,000	$1,400,000 $18,420	$2,952,000 $38,840	$2,952,000 $38,840
B. % of Eligible Basis	14.7%	7.1%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$2,500,000	$2,500,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$288,000	$0	$452,000	$452,000
B. Equity Contribution	$1,200,000	$0	$0	$0
C. Total	$1,488,000	$0	$452,000	$452,000
IV. Tax Credity Equity				
A. Tax Credit Equity	$11,289,000	$10,545,000	$11,321,000	$11,321,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($7,269,000) ($95,600)**	**($8,013,000) ($105,400)**	**($8,337,000) ($109,700)**	**($8,337,000) ($109,700)**

Prepared by: Keyser Marston Associates, Inc.
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TABLE C

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	The Lofts at Normal Heights			
	Developer Pro Forma	**SDHC Existing Guidelines**	**TCAC Regulations** (1)	**SDHC Proposed New Guidelines (February 2017)** (1)
I. Developer Fee				
A. Developer Fee	$1,952,000	$1,400,000	$1,952,000	$1,952,000
Per Unit	$36,840	$26,420	$36,830	$36,830
B. % of Eligible Basis	15.0%	10.8%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,400,000	$1,400,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$552,000	$0	$552,000	$552,000
C. Total	$552,000	$0	$552,000	$552,000
IV. Tax Credit Equity				
A. Tax Credit Equity	$6,528,000	$6,283,000	$6,528,000	$6,528,000
V. SDHC Financing Gap				
A. SDHC Financing Gap	**($5,200,000)**	**($5,445,000)**	**($5,200,000)**	**($5,200,000)**
Per Unit	**($98,100)**	**($102,700)**	**($98,100)**	**($98,100)**

(1) Veterans Housing and Homelessness Prevention Program (VHHP) requires developer fee in excess of $1.4 million be deferred or contributed as equity toward the project.

TABLE D

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Fairmount Family			
	Developer Pro Forma	**SDHC Existing Guidelines**	**TCAC Regulations**	**SDHC Proposed New Guidelines (February 2017)**
I. Developer Fee (1)				
A. Developer Fee Per Unit	$3,210,000 $40,130	$1,400,000 $17,500	$3,216,000 $40,200	$3,216,000 $25,000
B. % of Eligible Basis	15.0%	6.5%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,700,000	$1,400,000	$2,500,000	$2,500,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$560,000	$0	$716,000	$716,000
B. Equity Contribution	$950,000	$0	$0	$0
C. Total	$1,510,000	$0	$716,000	$716,000
IV. Tax Credit Equity				
A. Tax Credity Equity	$10,100,000	$9,335,000	$10,078,000	$10,078,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($9,470,000) ($118,400)**	**($9,934,000) ($124,200)**	**($10,291,000) ($128,600)**	**($10,291,000) ($128,600)**

TABLE E

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Twain Veterans			
	Developer Pro Forma	SDHC Existing Guidelines	TCAC Regulations (1)	SDHC Proposed New Guidelines (February 2017) (1)
I. Developer Fee				
A. Developer Fee Per Unit	$2,680,000 $33,500	$1,400,000 $17,500	$2,683,000 $33,500	$2,683,000 $25,000
B. % of Eligible Basis	15.0%	7.8%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,400,000	$1,400,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$1,280,000	$0	$1,283,000	$1,283,000
C. Total	$1,280,000	$0	$1,283,000	$1,283,000
IV. Tax Credit Equity				
A. Tax Credit Equity	$10,240,500	$9,612,000	$10,252,000	$10,252,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($4,950,000) ($61,900)**	**($5,579,000) ($69,700)**	**($4,939,000) ($61,700)**	**($4,939,000) ($61,700)**

(1) Veterans Housing and Homelessness Prevention Program (VHHP) requires developer fee in excess of $1.4 million be deferred or contributed as equity toward the project.

TABLE F

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Zephyr (Grantville Veterans)			
	Developer Pro Forma	SDHC Existing Guidelines	TCAC Regulations (1)	SDHC Proposed New Guidelines (February 2017) (1)
I. Developer Fee				
A. Developer Fee Per Unit	$1,400,000 $16,470	$1,400,000 $16,470	$1,400,000 $16,470	$1,400,000 $16,470
B. % of Eligible Basis	11.1%	11.1%	11.1%	11.1%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,400,000	$1,400,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$0	$0	$0	$0
C. Total	$0	$0	$0	$0
IV. Tax Credity Equity				
A. Tax Credit Equity	$16,656,000	$16,656,000	$16,656,000	$16,656,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($3,000,000) ($35,300)**	**($3,000,000) ($35,300)**	**($3,000,000) ($35,300)**	**($3,000,000) ($35,300)**

(1) Assumes SDHC would limit developer fees on 9% tax credit projects to $1.4 million, the amount allowed in eligible basis.

TABLE G

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Post 310			
	Developer Pro Forma	SDHC Existing Guidelines	TCAC Regulations (1)	SDHC Proposed New Guidelines (February 2017) (1)
I. Developer Fee				
A. Developer Fee Per Unit	$1,763,470 $41,010	$1,400,000 $32,560	$1,764,000 $41,020	$1,764,000 $41,020
B. % of Eligible Basis	15.0%	11.9%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,400,000	$1,400,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$363,000	$0	$364,000	$364,000
C. Total	$363,000	$0	$364,000	$364,000
IV. Tax Credity Equity				
A. Tax Credit Equity	$5,676,000	$5,524,000	$5,677,000	$5,677,000
V. SDHC Financing Gap				
A. SDHC Financing Gap Per Unit	**($3,115,000) ($72,442)**	**($3,267,000) ($76,000)**	**($3,114,000) ($72,400)**	**($3,114,000) ($72,400)**

(1) Veterans Housing and Homelessness Prevention Program (VHHP) requires developer fee in excess of $1.4 million be deferred or contributed as equity toward the project.

4% TAX CREDITS
ACQUISITION/REHABILITATION
REFINANCE
UNRELATED PARTY

TABLE H

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Mayberry Townhomes			
	Developer Pro Forma	SDHC Existing Guidelines	TCAC Regulations	SDHC Proposed New Guidelines (February 2017)
I. Developer Fee				
A. Developer Fee	$1,868,417	$1,400,000	$1,868,000	$1,868,000
Per Unit	$26,690	$20,000	$26,690	$26,690 (1)
B. % of Eligible Basis	15.0%	11.2%	15.0%	15.0%
II. Upfront Developer Fee to Developer				
A. Upfront Developer Fee	$1,400,000	$1,400,000	$1,868,000	$1,868,000
III. Deferred Developer Fee and Equity Contribution				
A. Deferred Developer Fee	$0	$0	$0	$0
B. Equity Contribution	$363,000	$0	$364,000	$364,000
C. Total	$363,000	$0	$364,000	$364,000
IV. Tax Credit Equity				
A. Tax Credit Equity	$5,464,000	$5,301,000	$5,464,000	$5,464,000
V. SDHC Financing Gap				
A. SDHC Financing Gap	**($2,510,000)**	**($2,868,000)**	**($3,173,000)**	**($3,173,000)**
Per Unit	**($35,860)**	**($40,970)**	**($45,330)**	**($45,330)**

(1) Developer fee at $30,000 per unit exceeds 15.0% of eligible basis.

TABLE I

DEVELOPER FEE AND FINANCING GAP
DEVELOPER FEE ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Protoype 1: New Construction		
	SDHC Existing Guidelines	**TCAC Regulations**	**SDHC Proposed New Guidelines (February 2017)**
I. Developer Fee			
A. Developer Fee	$1,400,000	$6,170,000	$6,170,000
Per Unit	$9,330	$41,130	$41,133
B. % of Eligible Basis	3.4%	15.0%	15.0%
II. Upfront Developer Fee to Developer			
A. Upfront Developer Fee	$1,400,000	$3,000,000	$3,000,000
III. Deferred Developer Fee and Equity Contribution			
A. Deferred Developer Fee	$0	$3,170,000	$3,170,000
B. Equity Contribution	$0	$0	$0
C. Total	$0	$3,170,000	$3,170,000
IV. Tax Credit Equity			
A. Tax Credit Equity	$18,670,000	$20,834,000	$20,834,000
V. SDHC Financing Gap			
A. SDHC Financing Gap	**($16,856,000)**	**($16,435,000)**	**($16,435,000)**
Per Unit	**($112,400)**	**($109,600)**	**($109,600)**