This MOHCD Developer Fee Policy for Tax Credit Projects applies to all developments seeking City funding in conjunction with new tax credit financing for the current project, including recapitalization projects with existing MOHCD loans. This does not apply to non-Tax Credit projects such as Small Site Program projects. It also does not apply to HOPE SF or RAD projects, which are subject to separate developer fee policies.

Developers may include fees in their project budgets according to the terms below.

I. **MINIMUM FEES:** 5% of total development costs.

II. **MAXIMUM FEES:** Notwithstanding any other section of this Fee Policy, the maximum Total Fee that may be included in basis is the lesser of $4 million or 10% of eligible basis.

A. **Total Development Fee**
   ("Total Fee") for different project types are further detailed below, and reflect the sum of the Cash-Out Fee, GP Equity Contribution, and Deferred Fee, if any.

<table>
<thead>
<tr>
<th>Project Type</th>
<th>9% Project - Maximum Cash-Out Fee</th>
<th>4% Project - Maximum Cash-Out Fee</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction</td>
<td>TCAC Maximum</td>
<td>The lesser of TCAC Maximum or $2,000,000 + $10,000 per unit over 100 units, if additional cash-out requires no additional MOHCD gap funding.</td>
<td>Developers may also take deferred fee; see further explanations below.</td>
</tr>
<tr>
<td>Newly Acquired and Substantially Rehabilitated (Per unit Hard Cost &gt;= $50,000)</td>
<td>TCAC Maximum</td>
<td>Same as new construction fee.</td>
<td></td>
</tr>
<tr>
<td>Substantial Rehabilitation (Per unit Hard Cost &gt;=$50,000) by Existing or Affiliate GP -- <strong>Includes New City Funds</strong></td>
<td>50% TCAC Maximum</td>
<td>The lesser of TCAC maximum or $1,000,000 + $10,000 per unit over 100 units, if additional cash-out requires no additional MOHCD gap funding.</td>
<td>Sponsor may take the allowable fee for Newly Acquired and Rehabilitated projects described above if 1) in the project’s original syndication, sponsor did not take the maximum allowable developer fee; or 2) sponsor adds new affordable units to the project. Sponsor cash out from acquisition proceeds is prohibited.</td>
</tr>
</tbody>
</table>
B. **Total Fee Components**

1. **Additional Cash Out:** If eligible basis is less than Threshold Basis, Projects over 100 units may take up to $10,000 per unit over 100 as cash-out fee, but only if such cash payment does not require additional gap funding from MOHCD (i.e., the cost of the additional developer fee taken as cash must be covered solely by the additional equity generated by any applicable deferred fee and by the additional cash-out fee itself).

2. **Deferred Developer Fee:** If eligible basis, including the maximum fee amount available as General Partner Equity, is less than Threshold Basis, Developers may include in Total Fee an amount equal to 50% of surplus cash flow taken over a maximum of 15 years (and after payment of the general partner management fee and investor asset management fee, if applicable) as Deferred Developer Fee. Developers may use industry standard inflators of income and expenses to calculate Deferred Developer Fee.
   
   a. Distributions of surplus cash as Deferred Developer Fee are in lieu of an Incentive Management Fee. Upon full payment of the Deferred Fee, which may be prior to Year 15 of operations, a surplus cash distribution as Incentive Management Fee shall commence, at 33.3% of surplus cash (and after payment of the general partner management fee and investor asset management fee, if applicable).
   
   b. For projects supported by the Local Operating Subsidy Program, Deferred Developer Fee must be taken over a minimum time period of 5 years.

3. **General Partner Equity:** If eligible basis is less than Threshold Basis, Developers should include in Total Fee the maximum amount available for re-contribution as General Partner Equity, with a minimum target of $500,000.

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**III. FEE DISTRIBUTION:** The Maximum Fee shall be divided equally between an “At-Risk Fee” and “Project Management Fee” (subject to the “At-Risk Fee Adjustment” described below).
### A. Project Management Fees

Project Management Fees shall be distributed according to achievement of certain development milestones, as follows:

*(PM Fee assuming Maximum Fee is $2MM)*

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Project Mgmt Fee Distribution</th>
<th>Total PM Fee: $1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition, if applicable, or predevelopment loan closing (or another agreed-upon milestone if acquisition is not applicable, e.g. being awarded a City-owned site through a RFQ/RFP process)</td>
<td>15%</td>
<td>$150,000</td>
</tr>
<tr>
<td>During Predevelopment/ with no more than 35% of the total Project Management Fee to be disbursed prior to construction closing</td>
<td>35%</td>
<td>$350,000</td>
</tr>
<tr>
<td>At Construction Closing</td>
<td>20%</td>
<td>$200,000</td>
</tr>
<tr>
<td>During construction (disbursed upon request depending on % of construction completion) or at Completion of Construction</td>
<td>20%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Project Close-Out: Placed-In-Service application; 100% lease-up; City approval of sponsor’s project completion report and documents; and City acceptance of final cost certification.</td>
<td>10%</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>TOTAL PM FEE</strong></td>
<td><strong>100%</strong></td>
<td><strong>$1,000,000</strong></td>
</tr>
</tbody>
</table>

**TOTAL AT-RISK FEE**  
$1,000,000 + $10,000/unit over 100 units (if applicable)

**TOTAL CASH-OUT DEVELOPER FEE**  
$2,000,000 + $10,000/unit over 100 units

### B. At-Risk Fee

The remaining 50% of the base Cash-Out Fee + 100% of additional cash-out fee for projects with unit counts over 100 are at-risk for cost overruns that exceed the available contingency funds in the final project budget approved by MOHCD at construction loan closing. One fifth (20%) of the At-Risk Fee may be paid at Qualified Occupancy (95% Leased up and Draft Cost Certification Audit). One half (50%) of the At-Risk fee may be paid out at Permanent Loan Closing/Conversion (Final Cost Certification Audit). The remaining At-Risk fee (30%) may be paid at Project Close-Out, as defined above, including City approval of sponsor’s project completion report and documents.
C. **At-Risk Fee Adjustment**

When outside funding sources limit the Maximum Fee to a value less than MOHCD’s standard (e.g., California’s Department of Housing and Community Development), the At-Risk Fee shall be capped at $200,000 or 20% of the Maximum Fee, whichever is less.

**IV. WAIVERS OF THE DEVELOPER FEE POLICY**

The Citywide Affordable Housing Loan Committee may recommend a waiver or modification of any portion of this policy for the purpose of assuring project feasibility. All recommendations related to this policy are subject to the Mayor’s approval in his or her sole discretion.

**V. CDBG or HOME REQUIREMENTS**

If MOHCD uses CDBG or HOME funds to pay the development fee, it is considered “program income”, and, should MOHCD request it, the sponsor must provide a report to MOHCD on its use of developer fees.

Recipients of CDBG administrative funding may not also receive a Project Management Fee for the same project covering the same time period.

**VI. POLICY IMPLEMENTATION**

This policy applies to any development that has not received its gap financing commitment from MOHCD by the effective date of the policy.