

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE  
Project Staff Report  
Qualified Private Activity Tax-Exempt Bond Project  
August 5, 2025**

Market Two, located at 3275-3295 Market Street in San Diego on a 1.17 acre site, requested and is being recommended for a reservation of \$4,393,099 in annual federal tax credits and \$45,000,000 of tax-exempt bond cap to finance the new construction of 272 units of housing, consisting of 269 restricted rental units and 3 unrestricted manager's units. The project will have 74 studio units, 160 one-bedroom units, 23 two-bedroom units, and 15 three-bedroom units, serving tenants with rents affordable to households earning 30%-70% of area median income (AMI). The construction is expected to begin in January 2026 and be completed in November 2027. The project will be developed by MRK Partners, Inc. and will be located in Senate District 18 and Assembly District 80.

**Project Number** CA-25-613

**Project Name** Market Two  
Site Address: 3275-3295 Market Street  
San Diego, CA 92102  
County: San Diego  
Census Tract: 0015.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$4,393,099	\$0
Recommended:	\$4,393,099	\$0

**Tax-Exempt Bond Allocation**  
Recommended: \$45,000,000

**CTCAC Applicant Information**  
CTCAC Applicant/CDLAC Sponsor: MRK Partners, Inc.  
Contact: Sydne Garchik  
Address: 2711 N Sepulveda Boulevard # 526  
Manhattan Beach, CA 90266  
Phone: 424.999.4581  
Email: sgarchik@mrkpartners.com

**Bond Financing Information**  
CDLAC Applicant/Bond Issuer: California Housing Finance Agency  
Bond Counsel: Orrick, Herrington & Sutcliffe LLP  
Private Placement Purchaser: Citi Community Capital  
Cash Flow Permanent Bond: Not Applicable  
Public Sale: Not Applicable  
Underwriter: Not Applicable  
Credit Enhancement Provider: Not Applicable  
Rating: Not Applicable  
Denomination: Not Applicable

**Development Team**

General Partners / Principal Owners:	Market 2 AGP LLC Pacific Southwest Community Development Corporation
General Partner Type:	Joint Venture
Parent Companies:	MRK Partners, Inc. Pacific Southwest Community Development Corporation
Developer:	MRK Partners, Inc.
Investor/Consultant:	R4 Capital
Management Agent:	WinnResidential California LP

**Project Information**

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	272
No. / % of Low Income Units:	269                      100.00%
Average Targeted Affordability:	58.14%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt

**Information**

Housing Type:	Non-Targeted
Geographic Area:	Coastal Region
State Ceiling Pool:	New Construction
Set Aside:	N/A
Homeless Set Aside Units:	N/A
CDLAC Project Analyst:	Erin DeBlaquiere
CTCAC Project Analyst:	Sopida Steinwert

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	28	10%
50% AMI:	28	10%
60% AMI:	151	56%
70% AMI*:	62	23%

\*CTCAC restricted only

**Unit Mix**

74	SRO/Studio Units
160	1-Bedroom Units
23	2-Bedroom Units
15	3-Bedroom Units
272	Total Units

<b>Unit Type &amp; Number</b>	<b>2025 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
28 SRO/Studio	30%	\$868
7 SRO/Studio	50%	\$1,447
39 SRO/Studio	60%	\$1,737
16 1 Bedroom	50%	\$1,550
93 1 Bedroom	60%	\$1,860
50 1 Bedroom	70%	\$2,170
3 2 Bedrooms	50%	\$1,861
19 2 Bedrooms	60%	\$2,233
2 3 Bedrooms	50%	\$2,150
12 3 Bedrooms	70%	\$3,010
1 1 Bedroom	Manager's Unit	\$1,860
1 2 Bedrooms	Manager's Unit	\$2,233
1 3 Bedrooms	Manager's Unit	\$2,580

#### **Project Cost Summary at Application**

Land and Acquisition	\$296,251
Construction Costs	\$53,378,546
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,668,928
Soft Cost Contingency	\$1,371,318
Relocation	\$0
Architectural/Engineering	\$3,547,251
Const. Interest, Perm. Financing	\$10,448,181
Legal Fees	\$515,000
Reserves	\$1,338,473
Other Costs	\$5,745,697
Developer Fee	\$11,019,480
Commercial Costs	\$0
<b>Total</b>	<b>\$90,329,125</b>

#### **Residential**

Construction Cost Per Square Foot:	\$402
Per Unit Cost:	\$332,092
Estimated Hard Per Unit Cost:	\$179,689
True Cash Per Unit Cost*:	\$307,535
Bond Allocation Per Unit:	\$165,441
Bond Allocation Per Restricted Rental Unit:	\$217,391

#### **Construction Financing**

<b>Source</b>	<b>Amount</b>
Citibank: Tax-Exempt	\$45,000,000
Citibank: Recycled Tax-Exempt	\$7,231,271
Citibank: Taxable	\$12,755,905
Deferred Costs	\$6,056,575
Net Operating Income	\$923,367
Deferred Developer Fee	\$6,679,654
Tax Credit Equity	\$11,682,353

#### **Permanent Financing**

<b>Source</b>	<b>Amount</b>
Citibank: Tax-Exempt	\$43,682,565
Net Operating Income	\$923,367
Deferred Developer Fee	\$6,679,654
Tax Credit Equity	\$39,043,539
<b>TOTAL</b>	<b>\$90,329,125</b>

\*Less Donated Land, Seller Carryback Loans, Waived Fees, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$84,482,680
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$109,827,484
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,393,099
Approved Developer Fee (in Project Cost & Eligible Basis):	\$11,019,480
Federal Tax Credit Factor:	\$0.88875

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**CTCAC Significant Information / Additional Conditions**

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$6,100. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$5,712 on agreement of the permanent lender and equity investor.

**CDLAC Analyst Comments:** None.

**Resyndication and Resyndication Transfer Event:** None.

**Standard Conditions**

The applicant shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis, and tax credit amount determined by CTCAC in its final feasibility analysis.

### **CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

<b>Point Criteria</b>	<b>New Const. Max. Points</b>	<b>Rehabilitation Max. Points</b>	<b>Points Scored</b>
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
<b>Total Points</b>	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

**Tie Breaker:** 140.602%