CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

Eastern Park Apartments, located at 711 Eddy Street in San Francisco, requested and is being recommended for a reservation of $5,298,594 in annual federal tax credits to finance the acquisition and rehabilitation of 201 units of housing serving seniors with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Sequoia Living and is located in Senate District 11 and Assembly District 17.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-450

Project Name Eastern Park Apartments
Site Address: 711 Eddy Street
San Francisco, CA 94109 County: San Francisco
Census Tract: 125.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,298,594	$0
Recommended:	$5,298,594	$0

Applicant Information

Applicant:	Eastern Park Apartments, LP
Contact:	David Berg
Address:	1525 Post Street San Francisco, CA 64109
Phone:	415-351-3616
Email:	dberg@ncphs.org

General Partner(s) or Principal Owner(s):	NCPHS EPA, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Sequoia Living
Developer:	Sequoia Living
Investor/Consultant:	Community Economics
Management Agent:	Sequoia Living

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	202
No. / % of Low Income Units:	201 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (201 Units - 100%)

Bond Information

Issuer:	City and County of San Francisco
Expected Date of Issuance:	May 31, 2019

Information

Housing Type:	Seniors
Geographic Area:	San Francisco County
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	41	20%
60% AMI:	160	80%

Unit Mix

202	1-Bedroom Units
202	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
41	1 Bedroom	50%	50%	$1,375
160	1 Bedroom	60%	60%	$1,650
1	1 Bedroom	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$87,510,000
Construction Costs	$0
Rehabilitation Costs	$38,289,408
Construction Hard Cost Contingency	$1,056,691
Soft Cost Contingency	$583,197
Relocation	$2,897,000
Architectural/Engineering	$1,423,500
Const. Interest, Perm. Financing	$11,643,610
Legal Fees	$42,500
Reserves	$2,387,194
Other Costs	$1,445,373
Developer Fee	$15,857,761
Commercial Costs	$0
Total	**$163,136,234**

Residential	
Construction Cost Per Square Foot:	$279
Per Unit Cost:	$807,605
True Cash Per Unit Cost*:	$491,689

Construction Financing

Source	Amount
Citibank, NA	$84,840,000
Seller Carryback	$51,467,390
Income from Operations	$1,700,000
General Partner Equity	$1,400,000
Tax Credit Equity	$5,821,238

Permanent Financing

Source	Amount
Citibank, NA	$39,360,700
Seller Carryback	$51,467,390
Sponsor Loan	$6,000,000
Income from Operations	$4,418,002
Deferred Developer Fee	$12,347,761
General Partner Equity	$1,500,000
Tax Credit Equity	$48,042,381
TOTAL	**$163,136,234**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$55,168,340
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$88,844,602
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$71,718,842
Qualified Basis (Acquisition):	$88,844,602
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$2,366,722
Maximum Annual Federal Credit, Acquisition:	$2,931,872
Total Maximum Annual Federal Credit:	$5,298,594
Approved Developer Fee in Project Cost:	$15,857,761
Approved Developer Fee in Eligible Basis:	$15,189,562
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.90670

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$144,012,942
Actual Eligible Basis:	$146,112,942
Unadjusted Threshold Basis Limit:	$96,053,828
Total Adjusted Threshold Basis Limit:	$144,080,743

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 20%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.30% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions
This project is considered a high cost project at $491,689 per unit. The acquisition cost of this project is high due to the rent potential and the location, San Francisco. The scope of the rehabilitation is fairly extensive due to the age and condition of the property. Relocation costs are high due to the length of the relocation and the high cost of the San Francisco rental market.

The proposed rents do not include any utility allowance. The building is master-metered and the owner will pay for all utilities.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards of Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the general partner NCPHS EPA, LLC, and the management company, Sequoia Living, shall complete training as prescribed by TCAC prior to the project's placing in service.

The project has designated one onsite manager unit, and one full time property manager for 201 rental units. Typically for a project of this size two manager units are recommended. In lieu of a second manager unit, the project has committed to employ an on-site full-time property manager and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working, consistent with TCAC Regulation 10325(f)(7)(J).

Resyndication and Resyndication Transfer Event: None

Standard Conditions
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, 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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC 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 TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC 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 TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC 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 TCAC in its final feasibility analysis.

CDLAC Additional Conditions
The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project will implement the following sustainable building management practices: (i) Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.