

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2019 First Round
June 12, 2019

Avena Bella Phase 2, located at 500 West Linwood Avenue in Turlock, requested and is being recommended for a reservation of \$966,563 in annual federal tax credits to finance the new construction of 60 units of housing serving large families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by EAH, Inc. and will be located in Senate District 8 and Assembly District 12.

The project financing includes state funding from the AHSC program of HCD.

Project Number CA-19-056

Project Name Avena Bella Phase 2
Site Address: 500 West Linwood Avenue
Turlock, CA 95380 County: Stanislaus
Census Tract: 37.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$996,563	\$0
Recommended:	\$966,563	\$0

Applicant Information

Applicant: EAH, Inc.
Contact: David Egan
Address: 22 Pelican Way
San Rafael, CA 94901
Phone: 415-295-8870
Email: david.egan@eahhousing.org

General Partner(s) / Principal Owner(s): Avena Bella EAH, LLC
General Partner Type: Nonprofit
Parent Company(ies): EAH, Inc.
Developer: EAH, Inc.
Investor/Consultant: California Housing Partnership
Management Agent(s): EAH Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 61
No. & % of Tax Credit Units: 60 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME

Information

Set-Aside: Nonprofit (qualified nonprofit organization)
 Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 6	10%
At or Below 40% AMI: 12	20%
At or Below 50% AMI: 19	30%
At or Below 60% AMI: 23	35%

Unit Mix

21 1-Bedroom Units
22 2-Bedroom Units
18 3-Bedroom Units
61 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	30%	\$341
3 2 Bedrooms	30%	30%	\$410
2 3 Bedrooms	30%	30%	\$473
4 1 Bedroom	40%	40%	\$455
4 2 Bedrooms	40%	40%	\$546
4 3 Bedrooms	40%	40%	\$631
8 1 Bedroom	50%	50%	\$569
6 2 Bedrooms	50%	50%	\$683
5 3 Bedrooms	50%	50%	\$789
8 1 Bedroom	60%	60%	\$683
9 2 Bedrooms	60%	60%	\$820
6 3 Bedrooms	60%	60%	\$947
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$906,629
Construction Costs	\$12,926,139
Rehabilitation Costs	\$0
Construction Contingency	\$750,682
Relocation	\$0
Architectural/Engineering	\$566,979
Const. Interest, Perm. Financing	\$715,529
Legal Fees	\$80,000
Reserves	\$98,465
Other Costs	\$2,611,742
Developer Fee	\$1,000,000
Commercial Costs	\$0
Total	\$19,656,165

Residential

Construction Cost Per Square Foot:	\$205
Per Unit Cost:	\$322,232
True Cash Per Unit Cost*:	\$304,265

Construction Financing

Source	Amount
Wells Fargo	\$10,063,967
Land Donation	\$885,000
City of Turlock	\$4,000,000
City of Turlock - HOME	\$2,200,000
AHP	\$600,000
Stanislaus County Fee Deferral	\$300,913
Cost Deferred Until Conversion	\$807,826
Solar Tax Credit Equity	\$104,263
Tax Credit Equity	\$694,196

Permanent Financing

Source	Amount
CCRC	\$445,000
Land Donation	\$885,000
HCD - AHSC	\$1,661,667
City of Turlock	\$4,000,000
City of Turlock - HOME	\$2,200,000
AHP	\$600,000
Stanislaus County Fee Deferral	\$300,913
Deferred Developer Fee	\$210,996
Solar Tax Credit Equity	\$104,263
Tax Credit Equity	\$9,248,326
TOTAL	\$19,656,165

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,072,926
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$11,072,926
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$966,563
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,000,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.92802

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$11,072,926
Actual Eligible Basis:	\$17,881,045
Unadjusted Threshold Basis Limit:	\$18,035,267
Total Adjusted Threshold Basis Limit:	\$19,345,513

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	66.337%

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 meet 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 61-unit project is the second phase built adjacent to Avena Bella Phase 1, CA-11-146. Residents of Phase 2 will have access to all community facilities in Phase I, including additional outdoor play equipment and recreation areas, an outdoor pool, and an indoor community room. The Phase I management office will be shared between both phases and services for both phases will be located in the Phase 1 community building. Prior to the start of construction, all necessary agreements shall be in place to ensure that both components have property management and access to the required community spaces. A Joint Use Agreement shall be provided in the placed in service submission.

Resyndication and Resyndication Transfer Event: None

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Turlock, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Negative Points		0	0
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 3/4 mile of public park or community center open to general public	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
After school program for school age children, minimum of 4 hours/week	2	2	2
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.