

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 9, 2020**

Archway Commons II, located at 1101 Carver Road in Modesto, requested and is being recommended for a reservation of \$1,172,357 in annual federal tax credits to finance the new construction of 73 units of housing 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 5 and Assembly District 12.

The project financing includes state funding from HCD's AHSC program.

**Project Number** CA-20-664

**Project Name** Archway Commons II  
Site Address: 1101 Carver Road  
Modesto, CA 95350 County: Stanislaus  
Census Tract: 14.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,172,357	\$0
Recommended:	\$1,172,357	\$0

**Applicant Information**

Applicant: Archway EAH II, LP  
Contact: Welton Jordan  
Address: 22 Pelican Way  
San Rafael, CA 94901  
Phone: (415) 295-8876  
Email: welton.jordan@eahhousing.org

General Partner(s) or Principal Owner(s): Archway EAH II, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): EAH Inc.  
Developer: EAH Inc.  
Investor/Consultant: CREA LLC  
Management Agent: EAH Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 9  
Total # of Units: 74  
No. / % of Low Income Units: 73 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HOME

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: May 1, 2021

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	20%
50% AMI: 29	40%
60% AMI: 29	40%

**Unit Mix**

1 1-Bedroom Units
53 2-Bedroom Units
20 3-Bedroom Units
74 Total Units

<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	50%	\$656
11 2 Bedrooms	30%	30%	\$472
4 3 Bedrooms	30%	30%	\$545
20 2 Bedrooms	50%	50%	\$787
8 3 Bedrooms	50%	50%	\$908
21 2 Bedrooms	60%	60%	\$944
8 3 Bedrooms	60%	60%	\$1,090
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,387,607
Construction Costs	\$18,544,164
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,833,574
Soft Cost Contingency	\$254,244
Relocation	\$0
Architectural/Engineering	\$965,902
Const. Interest, Perm. Financing	\$1,470,522
Legal Fees	\$174,500
Reserves	\$243,014
Other Costs	\$2,276,098
Developer Fee	\$3,310,621
Commercial Costs	\$0
<b>Total</b>	<b>\$30,460,246</b>

**Residential**

Construction Cost Per Square Foot:	\$252
Per Unit Cost:	\$411,625
True Cash Per Unit Cost*:	\$382,008

**Construction Financing**

Source	Amount
Union Bank Tax-Exempt Loan	\$17,529,754
Union Bank Taxable Loan	\$4,550,646
Stanislaus County Impact Fee Loan	\$378,155
City of Modesto HOME Loan	\$1,400,000
City of Modesto Land Loan	\$1,381,000
City of Modesto Impact Fee Loan	\$750,138
Deferred Impact Fee Interest	\$102,688
Deferred Costs	\$2,194,471
Deferred Developer Fee	\$810,621
Tax Credit Equity	\$1,362,773

**Permanent Financing**

Source	Amount
Union Bank	\$1,330,000
HCD AHSC	\$14,276,157
Stanislaus County Impact Fee Loan	\$378,155
City of Modesto HOME Loan	\$1,400,000
City of Modesto Land Loan	\$1,381,000
City of Modesto Impact Fee Loan	\$750,138
Deferred Impact Fee Interest	\$102,688
Deferred Developer Fee	\$810,621
Tax Credit Equity	\$10,031,487
<b>TOTAL</b>	<b>\$30,460,246</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$27,833,738
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$36,183,859
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,172,357
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,310,621
Investor/Consultant:	CREA LLC
Federal Tax Credit Factor:	\$0.85567

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:	\$27,833,738
Actual Eligible Basis:	\$27,833,738
Unadjusted Threshold Basis Limit:	\$28,848,613
Total Adjusted Threshold Basis Limit:	\$53,184,551

**Adjustments to Basis Limit**

Local Development Impact Fees.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 39%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

**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 or 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 3.24% 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 Phase II of Archway Commons (Phase I, CA-2011-119). Both phases will be managed by an onsite property manager located in Phase I and share community facilities. Prior to the start of construction, all necessary agreements shall be in place to ensure that Phase II has sufficient property management and access to the required community spaces. The Joint Use Agreement shall be provided in the placed-in-service submission.

**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.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.