

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
2009 Single Round  
September 10, 2009**

**Project Number** CA-2009-180

**Project Name** Mills Family Housing  
**Site Address:** 10319 Mills Avenue  
Montclair, CA 91763 **County:** San Bernardino  
**Census Tract:** 0003.01

**Applicant Information**

**Applicant:** Mills Family Housing Partners, L.P.  
**Contact:** Richard J. Whittingham  
**Address:** 9065 Haven Avenue, Suite 100  
Rancho Cucamonga, CA 91730  
**Phone:** (909) 483-2444 x 112 **Fax:** (909) 483-2448  
**Email:** rwhittingham@nationalcore.org  
**General Partner Type:** Nonprofit

**Information**

**Set-Aside:** N/A  
**Housing Type:** Large Family  
**Geographic Area:** Inland Empire

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,231,262	\$0
Recommended:	\$1,231,262	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** N/A  
**Total # of Units:** 50  
**Total # Residential Buildings:** 1  
**Federal Set-Aside Elected:** 40%/60%  
**% & No. of Tax Credit Units:** 100% - 49 units

**Eligible Basis**

**Requested:** \$10,524,659  
**Actual:** \$14,012,956  
**Maximum Permitted:** \$10,524,659

**Adjustments to Threshold Basis Limit:**

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database)

Seismic Upgrading

Local Development Impact Fees

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Public Funds	20	35	20
<b>Owner / Management Characteristics</b> Maximum 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum 15 points	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
<b>Service Amenities</b> Maximum 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<b>Sustainable Building Methods</b> Maximum 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
<b>Lowest Income</b> Maximum 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b> Maximum 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b> Maximum 2 points	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**Tie-Breaker Information**

First: Housing Type **Large Family**  
Second: Calculated Ratio per Regulation 10325(c)(10) **57.552%**

<b>Unit Type &amp; Number</b>	<b>2009 Rents % of Area Median Income (rounded)</b>	<b>Proposed Rent (including utilities)</b>
1 One-bedroom Unit	30%	\$374
2 Two-bedroom Units	30%	\$449
6 Two-bedroom Units	45%	\$673
19 Two-bedroom Units	50%	\$748
6 Two-bedroom Units	60%	\$898
2 Three-bedroom Units	30%	\$519
3 Three-bedroom Units	45%	\$779
7 Three-bedroom Units	50%	\$865
3 Three-bedroom Units	60%	\$1,038
1 Two-bedroom Units	Manager's Unit	\$0

The general partner or principal owner is Southern California Housing Development of the Inland Empire.

The project developer is National CORE.

The management agent is National CORE.

The market analyst is Novogradac & Company.

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

**Project Financing**

Estimated Total Project Cost: \$17,951,330 Per Unit Cost: \$359,027 Construction Cost Per Sq. Foot: \$197

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$7,632,748	Bank of America	\$1,539,000
City of Montclair RDA	\$3,650,000	City of Montclair RDA	\$3,650,000
AHP	\$200,000	City of Montclair RDA	\$2,650,000
Investor Equity	\$5,255,049	AHP	\$200,000
		Developer Equity	\$300,000
		Deferred Developer Fee	\$675,000
		Investor Equity	\$8,937,330
		<b>TOTAL</b>	<b>\$17,951,330</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$10,524,659
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$13,682,057
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,231,262
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,350,000
Investor:	Hudson Housing Capital
Federal Tax Credit Factor:	\$.72587

**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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.50%. 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. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues/Other Significant Information section of this report below.

**Special Issues/Other Significant Information:** The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**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.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
\$1,231,262	\$1,231,262

**Standard Conditions**

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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 ten 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)(6) 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)(P) at project completion.

**Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** DC Navarrette