

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2021 Second Round**

**October 20, 2021**

Sherwood Avenue Family Apartments located at the North side of Sherwood Avenue near 10th Street in McFarland, requested and is being recommended for a reservation of \$1,957,663 in annual federal tax credits to finance the new construction of 80 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 Milestone Housing Group LLC and will be located in Senate District 14 and Assembly District 32.

**Project Number** CA-21-173

**Project Name** Sherwood Avenue Family Apartments  
Site Address: North side of Sherwood Avenue near 10th Street  
McFarland, CA 93250 County: Kern  
Census Tract: 6029004701.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,957,663	\$0
Recommended:	\$1,957,663	\$0

**Applicant Information**

Applicant: Milestone Housing Group, LLC  
Contact: Marcus Griffin  
Address: 51 University Ave., Suite D  
Los Gatos, CA 95030  
Phone: 408-933-8531  
Email: marcus@milestonehousing.com

General Partner(s) / Principal Owner(s): Milestone Sherwood GP, LLC  
Pacific Housing, Inc.  
General Partner Type: Joint Venture  
Parent Company(ies): Milestone Housing Group, LLC  
Pacific Housing Inc.  
Developer: Milestone Housing Group, LLC  
Investor/Consultant: CREA  
Management Agent(s): FPI Management Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 4  
Total # of Units: 81  
No. & % of Tax Credit Units: 80 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: None

**Information**

Set-Aside: Rural  
Housing Type: Large Family  
Geographic Area: Central Valley Region  
TCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 18	22%
At or Below 50% AMI (Rural): 40	50%
At or Below 60% AMI: 22	27%

**Unit Mix**

22 1-Bedroom Units
37 2-Bedroom Units
22 3-Bedroom Units
81 Total Units

<u>Unit Type &amp; Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	\$392
11 1 Bedroom	50%	\$653
6 1 Bedroom	60%	\$784
8 2 Bedrooms	30%	\$471
18 2 Bedrooms	50%	\$785
10 2 Bedrooms	60%	\$942
5 3 Bedrooms	30%	\$543
11 3 Bedrooms	50%	\$906
6 3 Bedrooms	60%	\$1,087
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$387,541
Construction Costs	\$20,110,531
Rehabilitation Costs	\$0
Construction Contingency	\$1,192,500
Relocation	\$0
Architectural/Engineering	\$900,000
Const. Interest, Perm. Financing	\$878,334
Legal Fees	\$150,000
Reserves	\$163,386
Other Costs	\$2,038,888
Developer Fee	\$2,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$28,021,180</b>

**Residential**

Construction Cost Per Square Foot:	\$301
Per Unit Cost:	\$345,940
True Cash Per Unit Cost*:	\$337,926

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$14,000,000	Citibank	\$3,125,000
Deferred Reserve Funding	\$156,219	AHSC Funds	\$6,628,014
Deferred Developer Fee	\$1,690,834	Deferred Developer Fee	\$649,201
Tax Credit Equity	\$12,136,760	Tax Credit Equity	\$17,618,965
		<b>TOTAL</b>	<b>\$28,021,180</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,732,279
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,751,963
Applicable Rate:	9.00%
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.90000

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.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>47.463%</b>

**Significant Information / Additional Conditions**

The applicant's estimate for annual operating expenses per unit is below the \$4,600 published per unit operating expense minimum required for this type of project. Under regulation section 10327(g) operating expenses below the published minimum may be corrected. At the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC, the applicant must meet the requirement of regulation section 10327(g)(1).

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

**Local Reviewing Agency**

The Local Reviewing Agency, the City of McFarland, 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.

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 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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, 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 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit station or public bus stop	3	3	3
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1.5 miles of a Public High School	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**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.**