

Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

December 2012, Volume III, Issue XII

Published by Novogradac & Company LLP

Fresno Rescue Mission Embarks on Project to Rescue the Children

By Nish Housepian

Motel Drive runs along the seam of Highway 99 as it slices through Fresno, Calif. The road, a strip of motels, motor inns and prime rib houses that stopped glittering sometime back in the 1970s, is an area of general disinvestment, where criminal activity, vandalism and blight are commonplace.

So much of Fresno's population has hightailed it north to the river that the core sits abandoned. Motel Drive has been left to its own devices and when officials talk about revitalizing urban Fresno, the strip is usually left out of the conversation. If you look close enough at this long stretch of neglect, though, you'll see an piece of Motel Drive being transformed by an extraordinary project, which, when completed, will transform the lives of mothers and their children.

On a 10-acre parcel that once housed the Tradewinds Motor Hotel and its Gaslight Room Steakhouse, the nonprofit Fresno Rescue Mission (FRM) is building an \$8 million community campus to redirect the lives of mothers who will come to the center for many reasons: some are victims of domestic violence, some were recently released from prison, some are on the brink of homelessness and others are at risk of losing their children to foster care. At full capacity, the mission will house 75 women and 100 children.

Filling a Funding Gap

The FRM began raising the funds it needed in 2010. It was able to raise the majority of the funds through private donations and a \$1 million grant from the Federal Home Loan Bank of San Francisco. Despite the organization's best efforts, it fell short of its capital goal. Using the New Markets



Photo: Courtesy of Margie Prout

The 10-acre complex has 63 apartments that can house 75 women and 100 children.

Tax Credit (NMTC) program, the organization raised an additional \$1.9 million of equity, completing the project sources and beginning work on its new home.

"For those of unfamiliar with the program, you hear 'tax credits' and you wonder what that means," said Rev. Larry Arce, FRM's CEO. "It's not a loan, and it's not a grant. It's actually an economic development tool that attracts real money."

FRM worked closely with T.J. Cox, president of the Central Valley NMTC Fund, a certified community development entity, and the staff of U.S. Bancorp Community Development Corporation, the investment subsidiary of U.S. Bank, to structure and close the NMTC financing. What

continued on page 2

continued from page 1

makes the NMTC program so effective, Arce said, is that it puts needed capital into the hands of community based organizations by leveraging existing public and private funds when they're insufficient or when other sources are unavailable.

"Because of that \$1.9 million, we were able to renovate the restaurant and build the park. Because of that money, we were able to extend our construction phases. It's brought real change," Arce said.

The breadth of the project, its sheer ambition, might seem too much for even the most battle-tested of organizations. But FRM, which is housed two miles from Rescue the Children in downtown Fresno and serves hundreds of homeless men and women with a staff of 72 and an annual budget of \$6 million, does not scare easily. "We've built the Fresno Rescue Mission without any government funding," Arce said. "We have 14,000 individual donors. Much of the gift giving comes in \$25 and \$50 increments. But we also have people who donate their used cars to us. We fix them up, restore them, and sell them to the public. Last month, we sold 30 cars."

To shelter women and children in times of severe distress is one thing. The mission already does that in a modest way. But Arce and Pastor Rob Cravy, FRM's chief operating officer, had a grander vision in mind—a place where fatherless families could live up to a year in a campus setting that would teach emotionally scarred children how to be kids again and teach mothers how to be mothers, often for the first time.

They named the mission "Rescue the Children: A Community of Faith, Hope and Love" and went searching for open land to build it from scratch. The project's organizers were prepared to raise \$25 million to buy the land and erect the campus. Then they came across the old Tradewinds Motor Hotel and its famed Gaslight Room Steakhouse, whose heyday as one of Fresno's hot spots had passed long ago.

Despite years of neglect, the two-story inn and restaurant were in decent shape. Incredibly, the asking price for the 10-acre complex was only \$2 million. "Can you believe we got all this for \$2 million?" said Cravy, standing in the main yard where workers were putting the finishing touches on a swimming pool complete with water jets and a light show.

The rooms needed to be gutted and, in some cases, expanded to accommodate a family of four. Among the 63 completed apartments are several that measure nearly 1,000 square feet—two bedrooms, two baths, a family room and full kitchen with counters topped in granite. A certain psychology, Cravy said, was designed into each room. On the inside, for instance, there are no doors to seal off bedrooms or living rooms.

continued on page 3

Novogradac Journal of Tax Credits Editorial Board

PUBLISHER

Michael J. Novogradac, CPA

MANAGING EDITOR

Alex Ruiz

TECHNICAL EDITORS

Robert S. Thesman, CPA
James R. Kroger, CPA
Owen P. Gray, CPA
Thomas Boccia, CPA
Daniel J. Smith, CPA

ASSIGNMENT EDITOR

Jennifer Dockery

STAFF WRITER

Jennifer Hill

EDITORIAL ASSISTANT

Teresa Garcia

CONTRIBUTING WRITERS

Peter Lawrence	Corey Carlisle
Ethan Houts	Caitlin Kovalkoski
Thomas Stagg	Donna Smith
James P. Smith	Nish Housepian
Forrest David Milder	Tony Grappone
Cyle Reissig	

CARTOGRAPHER

David R. Grubman

PRODUCTION

Alexandra Louie
Jesse Barredo
James Matuszak

Novogradac Journal of Tax Credits Information

Correspondence and editorial submissions:
Alex Ruiz / 415.356.8088

Inquiries regarding advertising opportunities:
Emil Bagalso / 415.356.8037

Editorial material in this publication is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding the low-income housing tax credit or any other material covered in this publication can only be obtained from your tax advisor.



**NOVOGRADAC
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

© Novogradac & Company LLP
2012 All rights reserved.
ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.

Novogradac Journal of Tax Credits Advisory Board

LOW-INCOME HOUSING TAX CREDITS

Bud Clarke	BOSTON FINANCIAL INVESTMENT MANAGEMENT
Jana Cohen Barbe	SNR DENTON
Tom Dixon	BOSTON CAPITAL
Rick Edson	HOUSING CAPITAL ADVISORS INC.
Richard Gerwitz	CITI COMMUNITY CAPITAL
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella	U.S. BANCORP COMMUNITY DEV. CORP.
Phillip Melton	CENTERLINE CAPITAL GROUP
Thomas Morton	PILLSBURY WINTHROP SHAW PITTMAN LLP
Arnold Schuster	SNR DENTON
Mary Tingerthal	MINNESOTA HOUSING FINANCE AGENCY
Rob Wasserman	U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Sharon Jackman	SIG SERVICES LLC
Michael Kotin	KAY KAY REALTY
Michael Snowdon	MCA HOUSING PARTNERS
Gianna Solari	SOLARI ENTERPRISES
Ruth Theobald Probst	THEOPRO COMPLIANCE & CONSULT. INC.
Kimberly Taylor	HOUSING DEVELOPMENT CENTER

HOUSING AND URBAN DEVELOPMENT

Ray Landry	DAVIS-PENN MORTGAGE CO.
Sheldon Schreiber	PEPPER HAMILTON LLP
Monica Sussman	NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman	COMMUNITY REINVESTMENT FUND
Merrill Hoopengardner	ADVANTAGE CAPITAL
Scott Lindquist	SNR DENTON
Matthew Philpott	U.S. BANCORP COMMUNITY DEV. CORP.
Matthew Reilein	JPMORGAN CHASE BANK NA
Ruth Sparrow	FUTURES UNLIMITED LAW PC
Joseph Wesolowski	ENTERPRISE COMMUNITY INVESTMENT INC.

HISTORIC TAX CREDITS

John Leith-Tetrault	NATIONAL TRUST COMM. INVESTMENT CORP.
Bill MacRostie	MACROSTIE HISTORIC ADVISORS LLC
John Tess	HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Ben Cook	SOLARCITY CORPORATION
Jim Howard	DUDLEY VENTURES
Forrest Milder	NIXON PEABODY LLP
Darren Van't Hof	U.S. BANCORP COMMUNITY DEV. CORP.

continued from page 2

"We don't want moms shutting out their children, or children separating themselves from mom," he said. "This is about healing relationships, and you can't do that if you're not interacting."

The classrooms where families learn to thrive are enclosed by a one-way looking glass, allowing counselors to peer inside as mother and child interact. "The counselors will be hooked up to the mothers by electronic earpiece," Cravy said. "The counselors can then tell the mothers, 'Why don't you respond this way? Why don't you encourage the child this way?'"

The campus will feature a jobs training and computer workshop, a community center, chapel, clothing store, beauty shop and a teaching kitchen and restaurant that will serve up to 900 meals a day. With their own monetary exchange—a scrip system—the mothers will earn points to buy clothes and beauty supplies.

Out back, on four acres of open land, a playground for toddlers and a soccer field for older children are taking shape. The property will include an amphitheater, walking paths and a gym. Mothers and children will tend to a community garden that should grow enough fruits and vegetables to supply not only the needs of the restaurant but a community farmers market as well.

"We're going to have a culinary arts program that will teach the women how to cook nutritious and tasty meals," Cravy said. "They'll have a full year to get all this down. And we won't require them to leave unless they've secured a job and a safe place to live."

While the mission is Christian-based, the campus will refrain from promoting one religion over another, Arce said. "We're not here to proselytize. Our goal is to reconnect them not only to society and their families but back to hope, back to faith, whatever it may be."

Cox, the president of the Central Valley NMTC Fund, which was awarded \$35 million of NMTC authority in 2011, said he could think of no better recipient than the Rescue the Children project. "What they'll be doing here is unique not only to the San Joaquin Valley but to the whole state. They're going to house up to 175 women and children and teach them how to be productive families. From the community garden to the kitchen, it's all hands on." ❖

This article first appeared in the December 2012 issue of the Novogradac Journal of Tax Credits.

continued on page 4

continued from page 3

© Novogradac & Company LLP 2012 - All Rights Reserved

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided – any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.