

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2011 Second Round**

**September 28, 2011**

**Project Number** CA-2011-140

**Project Name** LA Pro II Apartments  
**Site Address:** Scattered Site: 10311-10341 S. Western Avenue, Los Angeles, 90047  
5311 S. Ruthelen Street & 3909 S. Denker Street, Los Angeles, 90062  
and 1100 S. Berendo Street, Los Angeles, 90006  
**County:** Los Angeles  
**Census Tract:** 2380.00, 2325.00, 2313.00, 2133.20

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,045,693	\$0
Recommended:	\$2,045,693	\$0

**Applicant Information**

**Applicant:** LA Pro II Preservation Limited Partnership  
**Contact:** William E. Szymczak  
**Address:** 21515 Hawthorne Blvd. Suite 125  
Torrance, CA 90503  
**Phone:** (310) 802-6671 **Fax:** (310) 802-6680  
**Email:** bill@preservationpartners.org

**General partner(s) or principal owner(s):** LA Pro II Preservation Partners LLC  
LINC Torrance Associates, LLC  
**General Partner Type:** Joint Venture  
**Developer:** Preservation Partners Development III  
**Investor/Consultant:** Union Bank NA  
**Management Agent:** Preservation Partners Management Group Inc.

**Project Information**

**Construction Type:** New Construction & Acquisition and Rehabilitation  
**Total # Residential Buildings:** 4  
**Total # of Units:** 123  
**No. & % of Tax Credit Units:** 119 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** HOME / HUD Project-based Section 8 Contract (80 units / 67%)  
**Affordability Breakdown by Units and % (Lowest Income Points):**  
30% AMI: 13 10 %  
35% AMI: 12 10 %  
40% AMI: 12 10 %  
45% AMI: 12 10 %  
50% AMI: 12 10 %

**Information**

Set-Aside: N/A  
 Housing Type: At-Risk  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

52 SRO/Studio Units  
 71 1-Bedroom Units  


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 123 Total Units

<b>Unit Type &amp; Number</b>	<b>2011 Rents Targeted % of Area Median Income</b>	<b>2011 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
5 SRO/Studio	30%	30%	\$448
8 1 Bedroom	30%	30%	\$480
12 SRO/Studio	35%	35%	\$523
12 SRO/Studio	40%	40%	\$598
12 SRO/Studio	45%	45%	\$672
9 SRO/Studio	50%	50%	\$747
3 1 Bedroom	50%	50%	\$801
58 1 Bedroom	60%	60%	\$961
2 SRO/Studio	Manager's Unit	Manager's Unit	\$822
2 1 Bedroom	Manager's Unit	Manager's Unit	\$856

**Project Financing**

Estimated Total Project Cost: \$30,538,384  
 Estimated Residential Project Cost: \$30,538,384

**Residential**  


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 Construction Cost Per Square Foot: \$254  
 Per Unit Cost: \$248,280

**Construction Financing**

Source	Amount
Union Bank N.A	\$8,868,088
LAHD - HOME	\$2,000,000
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$17,670,296

**Permanent Financing**

Source	Amount
Union Bank N.A.	\$8,868,088
LAHD - HOME	\$2,000,000
Deferred Developer Fee	\$849,920
Tax Credit Equity	\$18,820,376
<b>TOTAL</b>	<b>\$30,538,384</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation & New Construction):	\$17,484,553
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation & New Construction):	\$22,729,919
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,045,693
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank NA
Federal Tax Credit Factor:	\$0.92000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$17,484,553
Actual Eligible Basis:	\$23,912,407
Unadjusted Threshold Basis Limit:	\$20,173,322
Total Adjusted Threshold Basis Limit:	\$26,048,046

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

Seismic Upgrading

Environmental Mitigation

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Second:	<b>29.455%</b>

**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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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.

**Special Issues/Other Significant Information:** The project has a project-based Section 8 contract on an annual renewal basis for 80 of the units.

The project consists of four scattered sites, three of which involve rehabilitation and one which involves new construction. The 10311-10341 S. Western Avenue site will involve the new construction of a three-story apartment building over a parking garage with 63 one-bedroom units, which will replace the existing 24 units (23 low-income units covered under the 80-unit Section 8 contract). 1100 S. Berendo Street will involve the rehabilitation of 20 studio units. 3909 S. Denker Avenue will involve the rehabilitation of 20 studio units. 5311 S. Ruthelen Street will involve the rehabilitation of 12 studio units and 8 one-bedroom units. Each of the three rehabilitation sites have 19 units (57 total units) covered under the 80-unit Section 8 contract.

The project qualified for acquisition basis and credit on some of the existing buildings. However, the applicant chose to voluntarily exclude all of the acquisition basis and not request any acquisition credit.

**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, the City of Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

**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>
<b>\$2,045,693</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. 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 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) at project completion.

**Additional Conditions:** None.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	7	7
Public Funds	20	13	13
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
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>
Western Avenue Site	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
In-unit high speed internet service	2	2	2
Ruthelen Street Site	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a pharmacy	1	1	1
Denker Street Site	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within 1/2 mile of a full scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a medical clinic or hospital	3	3	0
Berendo Street Site	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	0
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>AT-RISK HOUSING TYPE</b>			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3

<b>Points System CONT.</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION - Western Avenue Site	10	10	10
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: LEED Silver	3	3	3
REHABILITATION - Ruthelen, Denker, & Berendo Sites	10	10	10
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: Offsetting PV generation	3	3	3
Additional rehab measures: Individually metered utilities	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</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>148</b>	<b>148</b>	<b>148</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.**