

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-170

Project Name Wadsworth Park Apartments
Site Address: 988 E. 42nd Place & 1019, 1020, 1028, 1033, 1042 E. 43rd Street
Los Angeles, CA 90011 County: Los Angeles
Census Tract: 90011-3023

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$333,668	\$0
Recommended:	\$333,668	\$0

Applicant Information

Applicant: Wadsworth 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): Wadsworth Preservation Partners LLC
LINC-Torrance Associates, LLC (100% owned by
LINC Community Development Corporation)
General Partner Type: Joint Venture
Developer: Preservation Partners Dev. III LP
Investor/Consultant: Union Bank NA
Management Agent: Preservation Partners Management Group Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 21
No. & % of Tax Credit Units: 20 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: HUD Section 8 (20 units / 100%)
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 15 %
35% AMI: 10 %
40% AMI: 10 %
45% AMI: 15 %
50% AMI: 40 %

Information

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

Unit Mix

18 2-Bedroom Units
3 3-Bedroom Units
 21 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	29%	\$535
2 2 Bedrooms	35%	33%	\$624
2 2 Bedrooms	40%	38%	\$714
3 2 Bedrooms	45%	43%	\$803
9 2 Bedrooms	50%	47%	\$880
1 3 Bedrooms	30%	29%	\$618
1 3 Bedrooms	50%	48%	\$1,030
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$959

Project Financing

Estimated Total Project Cost: \$4,992,682 Construction Cost Per Square Foot: \$82
 Per Unit Cost: \$237,747

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank NA	\$1,598,238	Union Bank NA	\$784,446
City of Los Angeles Existing CRA Loan	\$696,418	Union Bank - Section 8 Based Loan	\$813,791
Deferred Developer Fee	\$562,632	CRA/LA - Assumed Loan	\$696,418
Tax Credit Equity	\$2,135,394	Deferred Developer Fee	\$95,412
		Tax Credit Equity	\$2,602,614
		TOTAL	\$4,992,682

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,323,997
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,816,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,021,196
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,816,500
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$271,908
Maximum Annual Federal Credit, Acquisition:	\$61,761
Total Maximum Annual Federal Credit:	\$333,669
Approved Developer Fee in Project Cost:	\$562,630
Approved Developer Fee in Eligible Basis:	\$389,630
Investor/Consultant:	Union Bank NA
Federal Tax Credit Factor:	\$0.78000

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:	\$4,140,497
Actual Eligible Basis:	\$4,140,497
Unadjusted Threshold Basis Limit:	\$4,577,664
Total Adjusted Threshold Basis Limit:	\$5,493,197

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Tie-Breaker Information

First:	At-Risk
Second:	47.317%

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 HUD Section 8 rental subsidies on all 20 affordable units.

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 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$333,668	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	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 library	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
Sustainable Building Methods	8	8	8
Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
Formaldehyde free cabinets, countertops and shelving	1	1	1
No-VOC interior paint	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

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.