

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 17, 2010**  
**REVISED**

**Project Number** CA-2010-847

**Project Name** LA Pro I Apartments  
Site Address: 1011-1025 N. Cummings St., Los Angeles, CA 90033  
251 S. Berendo St., Los Angeles, CA 90004  
922 S. Lake St., Los Angeles, CA 90006  
2802 W. 8th St., Los Angeles, CA 90005  
249 Juanita Ave., Los Angeles, CA 90004  
County: Los Angeles  
Census Tract: 2036.00; 2113.20; 2095.10; 2122.02; 2111.10

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$668,184	\$0
Recommended:	\$668,184	\$0

**Applicant Information**

Applicant: LA Pro I 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): LINC-Torrance Associates, LLC  
LA Pro I Preservation Partners, LLC  
General Partner Type: Joint Venture  
Developer: Preservation Partners Dev. III, LP  
Investor/Consultant: Union Bank, N.A.  
Management Agent: Preservation Partners Management Group, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 8  
Total # of Units: 124  
No. & % of Tax Credit Units: 119 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt/HUD Project Based Section 8 (104 units - 84%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 38  
Number of Units @ or below 60% of area median income: 81

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Velia Martinez

**Bond Information**

Issuer: Cal HFA  
 Expected Date of Issuance: 12/1/2010  
 Credit Enhancement: PNC Multifamily

**Unit Mix**

92 SRO/Studio Units  
 24 1-Bedroom Units  
 8 2-Bedroom Units  


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 124 Total Units

<b>Unit Type &amp; Number</b>	<b>2010 Rents Targeted % of Area Median Income</b>	<b>2010 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
7 SRO/Studio	50%	50%	\$725
24 1 Bedroom	50%	50%	\$776
8 2 Bedrooms	55%	55%	\$1,025
2 SRO/Studio	50%	50%	\$725
17 SRO/Studio	60%	60%	\$870
2 SRO/Studio	50%	50%	\$725
17 SRO/Studio	60%	60%	\$870
3 SRO/Studio	50%	50%	\$725
20 SRO/Studio	60%	60%	\$870
2 SRO/Studio	60%	50%	\$725
17 SRO/Studio	60%	60%	\$870
5 SRO/Studio	Manager's Unit	Manager's Unit	\$813

**Project Financing**

Estimated Total Project Cost: \$20,110,099      Construction Cost Per Square Foot: \$85  
 Per Unit Cost: \$162,178

**Construction Financing****Permanent Financing**

<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
PNC Bank - HUD Insured Debt	\$13,115,000	PNC Bank - HUD Insured Debt	\$13,115,000
Net Operating Income	\$436,734	Net Operating Income	\$436,734
Deferred Developer Fee	\$1,511,241	Deferred Developer Fee	\$1,111,241
Tax Credit Equity	\$5,047,124	Tax Credit Equity	\$5,447,124
		<b>TOTAL</b>	<b>\$20,110,099</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$8,324,512
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,830,620
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,821,865
Qualified Basis (Acquisition):	\$8,830,620
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$367,943
Maximum Annual Federal Credit, Acquisition:	\$300,241
Total Maximum Annual Federal Credit:	\$668,184
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,237,626
Investor/Consultant:	Union Bank NA
Federal Tax Credit Factor:	\$0.81521

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:	\$17,155,132
Actual Eligible Basis:	\$17,155,132
Unadjusted Threshold Basis Limit:	\$22,043,960
Total Adjusted Threshold Basis Limit:	\$28,877,588

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 31%

**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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** None.

**Local Reviewing Agency:**

The Local Reviewing Agency, 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**  
**\$668,184**

**State Tax Credits/Total**  
**\$0**

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 an 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.

**Additional Conditions:**

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- 1) Use of either a) or b) as follows: a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit;
- 2) Use of either a) or b) as follows: a) no Volatile Organic Compounds (VOC) interior paint (5 grams per liter or less), Carpet/Rug Institute Green-label, low-VOC carpeting and pad and low-VOC adhesives (25 grams per liter or less), or b) bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer;
- 3) Use of either a) or b) as follows: a) material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six sides by laminates and/or a low-VOC primer or sealant (150 gram per liter or less); or b) formaldehyde-free insulation.