

"The mayor and his economic development agency decided to really push and work hard with the community and work through a community plan that offered a new dynamic," says Ron Moelis, CEO of L+M Development Partners. "[A community task force] came up with a model for community development that was really exciting, and it was in a neighborhood where there was a lot of economic opportunity."

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ESSEX CROSSING:

AN AFFORDABLE HOUSING DREAM TEAM PARTNERS FOR CHANGE

One Key at a Time

Mission-based developer partners with national bank to rehabilitate affordable housing communities



Within the next several years, the affordable housing compliance period on many tax credit-funded properties will start to expire.

This has led to a situation where some of these communities may transition to market-rate units—especially those located in popular urban areas. At the same time, demand for affordable housing continues to grow, far outpacing the rate of new construction in nearly every corner of the United States.

Addressing these issues head-on is the mission of California-based Preservation Partners. The firm acquires, rehabilitates and permanently preserves at-risk affordable housing communities originally developed through U.S. Department of Housing and Urban Development (HUD) funding.

Preservation Partners also aims to provide key social services to residents and make a positive impact in the communities it serves. Since its founding in 1999, the firm has grown to become one of the largest preservers of affordable housing across the nation. To date, it has acquired and rehabilitated 55 properties and more than 6,780 rental units.

“We want to be able to change people’s lives,” says Chuck Treach, CEO of Preservation Partners. “We want to do that not only by creating affordable housing, but also by creating a quality space and a safe environment for people to live in and raise their families.”

A FOCUSED MISSION

One of the primary areas of focus for Preservation Partners’ rehabilitation efforts is to dramatically upgrade the physical properties it acquires, as many are nearly four decades old and have experienced poor management and deferred maintenance. The firm works to upgrade these properties to meet current building codes and be compliant with Americans with Disabilities Act standards. It also implements energy-efficient lighting and plumbing fixtures, leading to energy savings of 10 to 20 percent.

Additionally, Preservation Partners works to improve the exterior of each building to maintain its longevity.

Even more importantly, the firm’s team looks to improve the lives of the people who live in its communities. It partners with third-party nonprofit organizations to deliver services for residents that provide them greater opportunities for long-term success.

“We give [the residents] opportunities that they are not aware of outside of their housing community, whether it be job fairs or homework centers for kids or [providing] seniors with [meals],” Treach says. “We try to incorporate all different types of services into our properties because,



Preservation Partners

CEO :: Chuck Treach | Location :: Torrance, California



Mark Sherman



Jay Abeywardena

at the end of the day, we are trying to make a difference in people's lives—not just create housing.”

Once Preservation Partners has worked to improve a property, it holds onto it and continues to manage it. The company works with HUD to reposition its assets for the next 15 years, ensuring long-term housing for families.

Through its vertically-integrated property management company, the firm can maintain full control and ensure properties get the attention they need, all while maintaining strong relationships with investors.

“We are not the owner that is looking to take every penny out of the property. We want to make sure the property is taken care of and that it's going to be a good asset for the next 15-plus years,” Treatch says. “We feel that we have an obligation not only to our tenants, but also to our partners. We want to be able to uphold those standards throughout the full 15-year compliance period that we have agreed to with our investors.”

CRITICAL LENDING PARTNERS

To accomplish its goals, Preservation Partners works with a variety of lenders to retain funding through the Low-Income Housing Tax Credit (LIHTC) program and tax-exempt bond financing. Citi, through its lending and investment arm Citi

Community Capital, has been an instrumental partner over the past five years.

“[Citi] is our number one [4 percent tax exempt] lender,” Treatch says. “They have been a great partner of ours and we continue to work well together. They are always involved with the majority of our deals.”

Preservation Partners and Citi first joined forces on the rehabilitation of a property in Huntington Beach, California. Citi contributed a \$1 million [pre-acquisition] line of credit. Since then, the lender has contributed nearly \$1 billion in project finance debt and equity to Preservation Partners' efforts.

“Preservation Partners is one of the [most active developers] in the country when it comes to the preservation of housing, and they have certainly surpassed our expectations when it comes to performance and delivering projects on time and on budget,” says Jay Abeywardena, Director of Citi Community Capital, Project Finance Origination. “They have always stood by their deals.”

Due to Citi's work with Preservation Partners, the firm was able to expand from preserving affordable housing in California to taking on communities across the country. One of the first out-of-state deals on which Citi worked with Preservation Partners



was Chicago's Academy Square. The 200-unit development houses both low-income families and seniors.

"Given our platform and our appetite to do these types of deals, and given the fact that our mission lines up with theirs, it's just a great fit," Abeywardena says. "[Preservation Partners] does it right. They spend the necessary amount of dollars on the rehabilitation and they take care of their residents. It has been a great partnership. We are happy to be working with them."

Additionally, Citi has begun partnering with Preservation Partners by purchasing the LIHTC equity in Preservation Partners' projects directly, rather than investing through syndicated funds.

"This past year was the first that we did LIHTC deals directly with our developer clients—and [Preservation Partners] was the first developer that we launched this initiative with," says Mark Sherman, Director of Citi Community Capital, Tax Credit Origination. "I think that speaks volumes for them and the relationship overall. They saw the same vision we did. We moved forward with this partnership and have closed multiple transactions with them on a direct basis."

Another key development made possible through the partnership was Springdale West in Long Beach, California, which involved the rehabilitation of 410 multifamily rental units. There's also Casa del Pueblo in San Jose, which led to 165 fully rehabilitated units.

EXPANDING NATIONALLY

Preservation Partners' recent expansion reflects the firm's mission to make a difference in as many communities as it can.

"We saw the opportunity to be able to expand and we saw needs in other cities," Tretch says. "We don't want to come into a community to do a deal—we want to make an impact. We want to make positive change. We want our residents to be assets to their communities."

Preservation Partners has helped to reduce crime and medical calls in some communities that had previously seen high levels of both. According to Tretch, having an integrated property manager has made a big difference in the firm's ability to move into new markets.

"Our goal is to keep growing as a company and doing what we do to preserve affordable housing throughout the United States," Tretch says. "To make sure that we are part of the no-net-loss solution, through our preservation efforts."

In the next three years, Preservation Partners aims to reach its goal of rehabilitating 10,000 units—and it appears to be well on its way. In addition to its current 55 properties, the firm has six properties contracted to close in 2019 and two more in 2020. 