

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Narisha Bonakdar

Applicant: City of Los Angeles Housing Department

Allocation Amount Requested:
Tax-exempt: \$4,850,000

Project Information:
Name: Freeman Villa Apartments
Project Address: 1229 S Westmoreland Ave
Project City, County, Zip Code: Los Angeles, Los Angeles, 90006

Project Sponsor Information:
Name: Freeman Villa Associates L.P. (Affordable Housing Solutions, Freeman Partners, LLC)
Principals: Affordable Housing Solutions: Clifton B. Cates III, Nancy McCurly, Lola M. Bell, Mark H Smith, Robert M. Cherry; Freeman Partners, LLC: Sheldon Berger, David Roberts, Courtney D. Allen
Property Management Company: EMP III, Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: August 22, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 40, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Freeman Villa Apartments is a proposed 40-unit acquisition and rehabilitation project located in the City of Los Angeles. It will consist of 10 studio units and 30 one-bedroom units on .69 acres. All of the units will be income-restricted to households earning between 50 and 60 percent of Area Median Income. (Residents will pay no more than 30 percent of their household monthly income under the current Project-Based Section 8 Housing Assistance Program contract.) Each unit will include ENERGY STAR-rated appliances and a private balcony/patio. The property will include a community room with a kitchen, a laundry facility, and a courtyard. The project will achieve 15 percent better than Title 24 energy standards and will use a photovoltaic system to offset energy usage.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (12 units) restricted to 50% or less of area median income households.
70% (28 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 7,930,081
Estimated Hard Costs per Unit: \$ 33,825 (\$1,353,000 /40 units)
Estimated per Unit Cost: \$ 198,252 (\$7,930,081 /40 units)
Allocation per Unit: \$ 121,250 (\$4,850,000 /40 units)
Allocation per Restricted Rental Unit: \$ 121,250 (\$4,850,000 /40 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,850,000	\$ 3,978,000
Developer Equity	\$ 42,548	\$ 42,548
LIH Tax Credit Equity	\$ 1,223,000	\$ 2,095,000
Other (Seller Financing and NOI during Rehab)	\$ 1,814,533	\$ 1,814,533
Total Sources	<u>\$ 7,930,081</u>	<u>\$ 7,930,081</u>

Uses of Funds:	
Acquisition/Land Purchase	\$ 4,300,000
Rehabilitation Costs	\$ 1,230,000
Contingency	\$ 123,000
Architect & Engineering Fees	\$ 45,000
Contractor Overhead & Profit	\$ 167,096
Developer Fee	\$ 919,784
Relocation	\$ 10,250
Cost of Issuance	\$ 350,814
Capitalized Interest	\$ 214,355
Other Soft Costs (Marketing, etc.)	\$ 569,783
Total Uses	<u>\$ 7,930,082</u>

Description of Financial Structure and Bond Issuance:

Citibank, N.A. will provide a private placement of tax-exempt private activity bonds in the amount of \$4,850,000 that will serve as both the construction and permanent loans. The construction loan term will be 18 months and will carry a variable interest rate equal to SIFMA plus a spread of 250 basis points. After the 18-month construction period, a maximum amount of \$3,980,000 will be converted a permanent loan with a fixed interest rate equal to the sum of the 17-year maturity "AAA" bond rates plus a 2.30% spread. The permanent loan will have a 30-year term and 35-year amortization.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 63.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,850,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	10
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	130	110	63.5

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.